

PROOF SETS SILVER PROOF SETS UNCIRCULATED SETS AMERICAN EAGLE GOLD
BULLION AMERICAN EAGLE SILVER BULLION AMERICAN EAGLE PLATINUM BULLION
HOLIDAY GIFT ORNAMENTS AMERICAN EAGLE PENDANTS ROBERT F. KENNEDY SILVER
DOLLAR NATIONAL LAW ENFORCEMENT MEMORIAL SILVER DOLLAR INDIAN HEAD COIN
WATCH SILVER EAGLE POCKET KNIFE WALKING LIBERTY WRIST WATCH MERCURY DIME
EARRINGS WALKING LIBERTY PENDANT INDIAN HEAD COIN CUFF LINKS JFK HALF-
DOLLAR MONEY CLIP AMERICAN EAGLE GOLD PROOF AMERICAN EAGLE SILVER PROOF
AMERICAN EAGLE PLATINUM PROOF JACKIE ROBINSON GOLD FIVE DOLLAR COIN JACKIE
ROBINSON SILVER DOLLAR AMERICAN EAGLE FOUR-COIN PROOF SET MORGAN AND
PEACE SILVER DOLLAR SET IMPRESSIONS OF LIBERTY BLACK REVOLUTIONARY WAR

UNITED STATES MINT

GOLD COIN COIN AND STAMP SETS
JEFFERSON NICKEL ROOSEVELT DIME
WASHINGTON QUARTER GIFT SLEEVES COIN
WATCH PENDANT JACKIE ROBINSON LEGACY SET KENNEDY HALF-DOLLAR PEN SET
PREMIER SILVER PROOF SET HOME AND OFFICE ACCESSORIES NUMISMATIC
SPECIALTY SETS JEWELRY COIN GIFTS FDR PENDANT PLATINUM EAGLE
UNCIRCULATED FOUR-COIN SET MORGAN SILVER DOLLARS TIE TACKS FOUR FREEDOMS
PAPERWEIGHT JACKIE ROBINSON TWO-COIN SET CIRCULATING COINAGE PROOF SETS
SILVER PROOF SETS UNCIRCULATED SETS AMERICAN EAGLE GOLD BULLION AMERICAN
EAGLE SILVER BULLION AMERICAN EAGLE PLATINUM BULLION HOLIDAY GIFT ORNAMENTS
AMERICAN EAGLE PENDANTS ROBERT F. KENNEDY SILVER DOLLAR NATIONAL LAW
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DOLLAR AMERICAN EAGLE FOUR-COIN PROOF SET MORGAN AND PEACE SILVER DOLLAR
SET IMPRESSIONS OF LIBERTY BLACK REVOLUTIONARY WAR PATRIOTS SILVER DOLLAR
FDR GOLD FIVE DOLLAR GOLD COIN COIN AND STAMP SETS COIN AND CURRENCY SETS
LAPEL PINS JEFFERSON NICKEL ROOSEVELT DIME KENNEDY HALF-DOLLAR LINCOLN
CENT WASHINGTON QUARTER

ROBINSON LEGACY SET KENNEDY HALF-DOLLAR PEN SET HOME AND OFFICE ACCESSORIES

1998 ANNUAL REPORT

FDR PENDANT PLATINUM EAGLE UNCIRCULATED FOUR-COIN SET MORGAN SILVER
DOLLARS TIE TACKS FOUR FREEDOMS PAPERWEIGHT JACKIE ROBINSON TWO-COIN SET
CIRCULATING COINAGE PROOF SETS SILVER PROOF SETS UNCIRCULATED SETS
AMERICAN EAGLE GOLD BULLION AMERICAN EAGLE SILVER BULLION AMERICAN EAGLE
PLATINUM BULLION HOLIDAY GIFT ORNAMENTS AMERICAN EAGLE PENDANTS ROBERT
F. KENNEDY SILVER DOLLAR NATIONAL LAW ENFORCEMENT MEMORIAL SILVER DOLLAR
INDIAN HEAD COIN WATCH SILVER EAGLE POCKET KNIFE WALKING LIBERTY WRIST WATCH

The Mission of the United States Mint is to manufacture the highest quality circulating numismatic, and bullion coins at the lowest possible cost and to deliver them in a timely manner . . . to expand our markets through exceptional customer service, product development, and innovative marketing . . . to sell numismatic and bullion products at a reasonable price and profit . . . and to provide security over assets entrusted to us.

— *U.S. Mint Strategic Plan*

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*Founded in 1792,
the United States Mint
became a bureau of the Treasury Department
in 1873 and today is the world's largest coin
manufacturer, with operations in California, Colo-
rado, Kentucky, Maryland, New York, Pennsylvania,
and Washington, D.C. Our missions are to produce
the nation's circulating coinage, to manufacture and
market coin and medal products worldwide, and to
safeguard the nation's bullion reserves at Ft. Knox
and elsewhere. These missions and our effectiveness
in executing them make the United States Mint
one of the few federal agencies that produces
an operating profit.*



To Our Colleagues and Customers:

The United States Mint has taken care of the American people's business for two hundred years, and we proudly upheld that tradition in 1998. As from the first days of the republic, we minted coinage for American commerce and struck medals and coins honoring America's great causes and individuals. Since before the Great Depression we've guarded our nation's gold reserves, and we still do. Through crisis and calm, last year as in years before, we brought the world's investors precious metal coins made from American bullion. More than a decade ago we became the Fortune 500-sized retailer of numismatic products for collectors and consumers that we remain today. And

during the past four years, we've become *the* federal agency that proves government can respond to Americans' demands for excellence.

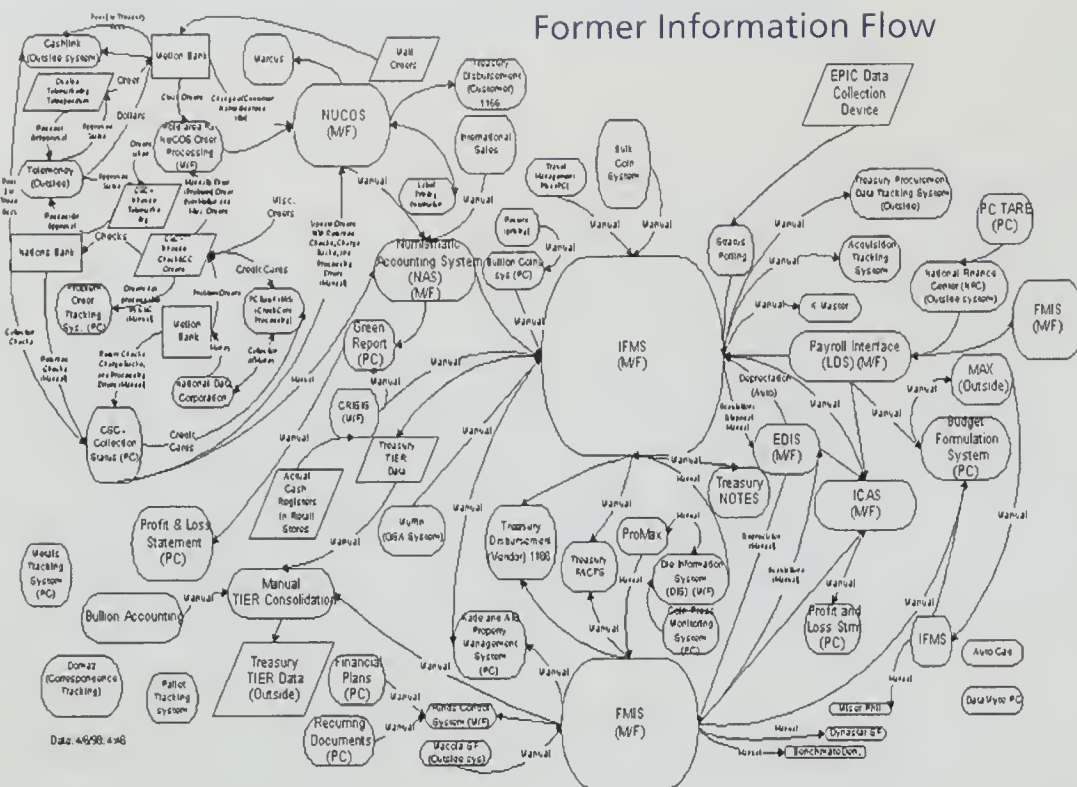
In my previous reports you've seen the Mint taking care of business *like* a business. You've read how we've invested in productivity, cut costs, upgraded service, improved managerial practices and employee skills, represented collectors before Congress, launched new products, expanded markets, and installed information systems. During fiscal 1998, those efforts accumulated organizationally, operationally, and intellectually to a critical mass of innovation.

Information Resources

In the closing days of the fiscal year we booted up the most significant initiative we've undertaken. After three years of preparation and a massive investment of talent and financial resources, we've replaced our sprawl of incompatible computer systems and manual records with a Mintwide enterprise resource planning system nicknamed COINS (for Consolidated Information System). COINS is 15 integrated modules bringing sophisticated applications to marketing, manufacturing, finance, customer service, sales, and distribution. Our Mail-order and Cataloging System (MACS), for example, facilitates checking customers' orders, and it ties sales to real-time data collection systems that oversee inventory and shipping. Our production monitoring program (Maximo) keeps a running schedule for equipment maintenance and upgrades at each facility. Our customized Marketing And Customer Service Program (MARCUS) lets us profile our customer population and tailor coin programs, product options, and advertising according to their known purchase patterns, product preferences, and preferred media. These modules join packages in personnel and finance (PeopleSoft), inventory tracking (ADCS), and other applications to bring extraordinary new information and analytical capabilities at the Mint.

Once COINS becomes fully operational, we can conceive coin programs and create products knowing who will want them. We'll be able to tell customers the current status of their orders and where their product is in our production-distribution stream. We will know instantaneously if and where that stream is log-jammed. Marketing managers will know profit pictures before coin programs expire, and collectors, Congress, and program beneficiaries will have sales and surcharge data quickly. For the first time, planners and managers will have point-to-point information about customers, costs, production, promotion, inventory, sales, revenues, and profits for every program and product. We'll know better what customers want and how to reach them. We will join best-in-business practices with state-of-the-art technologies for interactive relationships with customers, suppliers, and other stakeholders. Integrated systems of accurate, timely, comprehensive data also translate into greater efficiencies, lower costs, faster responses, and higher accountability.

Former Information Flow



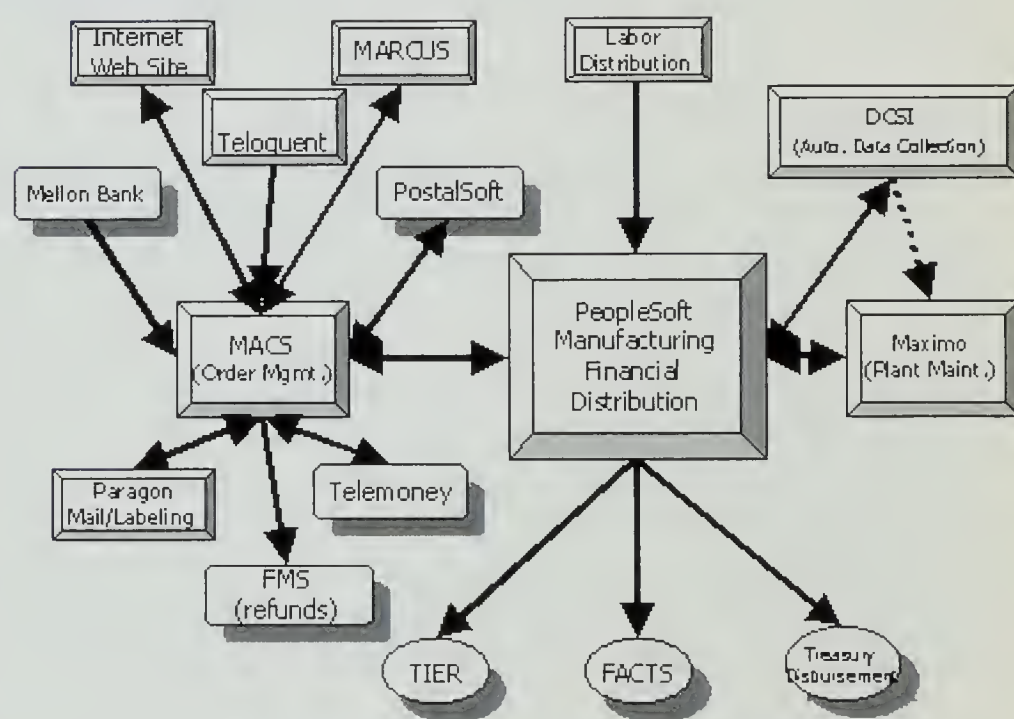
COINS is the first enterprise resource planning system in use anywhere in the public sector of the United States. Besides its multifold potential for improving our sales and operations, COINS addresses the Mint's sole remaining weakness under the Federal Managers Financial Integrity Act and is the core of our Year 2000 solution. Alongside earning the right to operate using our own revenues, COINS joins the permanent legacy of innovation we've created for the American people.

Streamlined Organizational Structure

As COINS builds competencies, we'll have an organizational structure that gives them freer reign. Near mid-year—again, after long planning—we scuttled the organization that sequestered the Mint into rigid hierarchies and stovepipe functions and replaced it with one focused on customers and outcomes.

Today we're structured into three strategic business units (SBUs) befitting our three missions. Gone are departmental designations like coinage production, marketing, security, and administration. Now, manufacturing and distribution of circulating coinage to the Federal Reserve are the unified responsibility of our Circulating Business Unit. Our Numismatic Business Unit oversees all activities associated with collector and investor products sold worldwide, including coin manufacture. Our Protection Business Unit provides multi-echelon security Mintwide and is preparing new business initiatives.

Each SBU is a profit center with a business head directing its budget, resources, facilities, and staff. Each has a mission and goals under our strategic plan. An SBU configuration provides clarity of purpose and redoubles our efficiencies. For example, West Point and San Francisco facilities make numismatic coinage and report to our Numismatic SBU; Philadelphia and Denver, which make numismatic and circulating coins, report to chiefs of Numismatic and the Circulating SBUs. In other words, business heads who sell our circulating and numismatic coins are also the people who make them. Under our new organization, they have full authority over their products and services—including authority to develop new business opportunities consistent with our mission.



Coins Components And Interfaces

We promised an SBU structure would boost careers of employees with skills fitting a results-focused business environment, and that's proving to be so. We re-wrote or re-classified 300 jobs at our Washington office. Many of those jobs are new to the Mint, reflecting the new tools we bring to our tasks and new ways we see our business. Efforts to match people with positions and to hire for skill-intensive performance continue.

Before next year's annual report reaches you, the U.S. Mint will move to a new headquarters in downtown District of Columbia, another long-term initiative that progressed toward completion in 1998. This eight-story, 246,000 square foot structure—with spacious floor plans, areas for work teams, and in-house training facilities—fosters the communication, cooperation, and professionalism we're committed to as an organization.



Artist's rendition of the Mint's new Washington office, scheduled for completion in fall 1999.

During fiscal 1998, the economy's need for coinage rebounded. We produced 15.1 billion circulating coins and shipped 16.6 billion to the Federal Reserve for distribution to banks. Shipment of coinage to the Fed generated \$594 million in profits, and we transferred \$562 million to the General Fund of the Treasury as part of our return on the American people's investment in us. By comparison, in fiscal 1997, we produced 14.1 billion coins, shipped 12.7 billion coins to the Federal Reserve, earned \$428 million, and transferred \$465 million to the Treasury General Fund.

PRODUCTION TOTALS

FY 1998



TOTAL: 30,710,000
DENVER: 15,064,000
PHILADELPHIA: 15,646,000



TOTAL: 1,516,940,000
DENVER: 765,200,000
PHILADELPHIA: 751,740,000



TOTAL: 2,231,540,000
DENVER: 1,122,400,000
PHILADELPHIA: 1,109,140,000



TOTAL: 1,199,804,000
DENVER: 604,080,000
PHILADELPHIA: 595,724,000



TOTAL: 10,116,600,000
DENVER: 5,143,800,000
PHILADELPHIA: 4,972,800,000

DENVER: 7,650,544,000

PHILADELPHIA: 7,445,050,000

FY98 TOTAL: 15,095,594,000

tics for distributing quarters nationwide, and accommodate private bank demand for specific states' quarters.

Capital Investment

Production of non-penny coins is estimated to increase from 5 billion in fiscal 1998 to 8.2 billion in fiscal 1999—an all-time record for us. We prepared throughout the year for this shifting production mix by ordering and installing equipment to come on-line in fiscal 1999. We invested \$17 million in replacing, upgrading, or adding furnaces and high speed presses in Philadelphia, a high speed blanking press and new die manufacturing equipment in Denver, and blanking die sets in Philadelphia and Denver. High speed coining presses make up to 750 quarters per minute, whereas older presses make 400. New

Penny-production, historically 70 to 72 percent of output, fell to 67 percent in fiscal 1998. There's an important trend behind that decline: consumers making use of private sector equipment and facilities that return pennies to circulation faster. This is more evidence that consumer preferences, marketplace innovation, and competition from the private sector leave no room for a custodial mentality in our circulating coinage business. As with any business, we must continue refining our forecasting, multiplying production efficiencies, investing in capital equipment.

During fiscal 1997 we refined models forecasting *national* coin demand with 90 percent confidence, but now we're facing new challenges that require us to predict demand by geographical region more precisely. Therefore, in fiscal 1998 we started to model demand by *region* and *denomination*.

Regional forecasting will be important in 1999, when introduction of 50 State Quarters revs up demand for quarter-dollars. In fact, our research indicates collector and public demand will double the number of quarters we produce each year for the next decade. Moreover, focus groups suggest the public could pocket half of all 50 State Quarters. That degree of collector and consumer enthusiasm will add between \$2 billion and \$5 billion to circulating and numismatic business profits, but there's much to do in preparing for the largest, longest-running series of coinage changes in U.S. history. In fiscal 1998, we accelerated planning for 1999 and beyond to assure we can meet production quotas, guarantee logis-

CIRCULATING BUSINESS UNIT
PROFITS
(MILLIONS OF \$)

TOTAL CAPITAL INVESTMENT 1994-2001



management systems at all three facilities. These improvements augment efficiency and capacity in order to meet production goals.

In fiscal 1997, we discovered we could punch more coin blanks from coils of cupro-nickel strip by rearranging blanking dies, and we followed through on that discovery at Philadelphia and Denver this year. We bought new blanking dies and arranged them in our new efficiency-enhancing design. We'll be able to convert nearly 80 percent of the coil weight into blanks, compared to 72 percent for the arrangement being phased out, and that improved utilization will translate into substantial cost savings in coin production.

Cost Control

We intensified our drive to reduce average cost of circulating coinage by 25 percent as specified in our strategic plan, continuing our efforts from fiscal 1997, when we documented \$1.4 million in coin production savings, cost avoidance, and improved resource allocation.

During fiscal 1998, Manufacturing Excellence Teams identified further savings, initiated cost-avoidance, and extended earlier savings programs. Many initiatives are long-term projects, but no operation has been too small to receive attention or too large to benefit from it. Denver Mint teams, for example, experimented with coining division work schedules and saved \$176,000 yearly by reducing three supervisory positions and the time consumed by non-production activities. After collaborating with metal fabricators, vending machine operators, banks, and the Federal Reserve, a Philadelphia team found that producing nickels and quarters from material that's one percent thinner would lower costs without affecting coins' serviceableness. This innovation saved \$135,000 over 40 production days in fiscal 1998 and will yield savings Mintwide when quarter production soars in fiscal 1999. As a result of all these efforts and many others, we're on track with our 1999 business plan goal of reducing expenses an additional \$4.7 million per year.



Arthur M. Victor III, a coin press operator in Philadelphia, looks over a new Schuler press. The Mint invested \$50 million in capital improvements in fiscal 1998.

We had 83 fewer OSHA-reportable workplace accidents in fiscal 1998, reducing the Mintwide accident rate 37.6 percent from fiscal 1997. The best thing about a safer workplace is that fewer people get hurt. But it's gratifying that improved safety cut \$124,500 from accident-related costs in fiscal 1998 and portends continuing increases in avoided costs.

Results compound when we address costs and efficiency. For example, employees stacking bags sometimes suffer repetitive motion injury. The solution: machine handling of bulk bags holding 250,000 pennies instead of 5,000. Employees move fewer bags, reducing injuries and injury-related costs. Reusable bulk bags recoup start-up costs in three years. We'll ship pennies from Denver in bulk bags around August 1999, and we'll ship all coins from Denver and Philadelphia in bulk bags before 2002.

50 State Quarter Program and Dollar Coin

A hectic routine was intensified by rising circulating coinage demand, reorganizing into strategic business units, and preparing to mint 50 State Quarters. We were determined that the longest-running series of coinage changes in American history and the first new dollar coin in a generation would have designs Americans embraced. Working

with the Treasury Department and state governors, we hammered out a procedure for states to choose quarter designs their citizens wanted, and our staff worked with each state to assure designs were both suitable for the nation's coinage and coinable. In short, we created the opportunity for citizens of every state to participate in the design of American coinage.

A process involving even greater public participation was selection of designs for the new dollar coin. By law, the coin will be the same size as the Susan B. Anthony dollar, golden in color, with a distinctive edge. Treasury Secretary Rubin appointed a citizens panel to advise him on design themes for the new coin. The panel arranged two days of televised public hearings that gave Americans an opportunity to express their preferences in person and by fax. When the advisory committee recommended a design honoring Sacagawea, the Native American girl who accompanied Lewis and Clark, we opened the design competition nationwide. We also sponsored exhibitions of design semi-finalists and asked historians, collectors, artists and the general public to comment on obverse and reverse designs they favored. We held focus groups and consulted Native American organizations to assure authenticity and acceptance of potential finalist designs. We posted designs on the Mint web site: the first day they were up, our web site received 11 million hits from the public. After two weeks, we had received 120,000 e-mails from citizens expressing preferences, and those comments have had a profound effect on subsequent decisions.



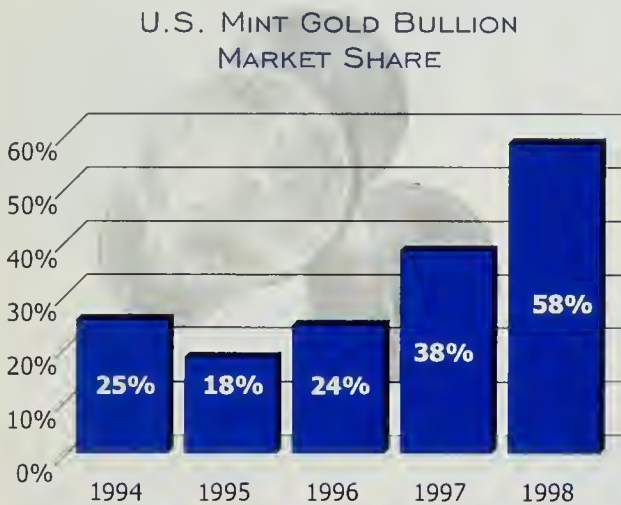
Mint Director Philip N. Diehl examines trial strikes of 50 States Quarters, which begin circulating in 1999.

Process improvements, manufacturing innovations, and proliferating benefits are becoming the familiar signature of our circulating coinage business. Also familiar but never taken for granted are continuing kudos from the Federal Reserve, which rated us highly for accuracy, quality, knowledge, and helpfulness in 1998's third consecutive customer survey.

Our Numismatic Business Unit posted fiscal 1998 profits of \$23 million on sales of \$672 million, representing 25 percent and 62 percent increases, respectively, over fiscal 1997. Once again—the second year in a row—we exceeded our strategic plan goal of generating \$400 million in numismatic revenues by the year 2000. What's more, we achieved these results while planning momentous 1999 and 2000 numismatic programs, restructuring staff, transferring supervision over two production facilities, and implementing state-of-the-art information systems crucial to efficiency and profitability.

Bullion Coin Sales

Sought largely by investors, Gold American Eagle bullion coins reached sales of 1,480,525 ounces, nearly double sales of fiscal 1997 and fiscal 1996 combined. International economic and political concerns, volatile equity markets, and falling bullion prices joined with the assurance of American gold to give us 58 percent of the world market share for investment gold coins, up from 18 percent a few years ago.

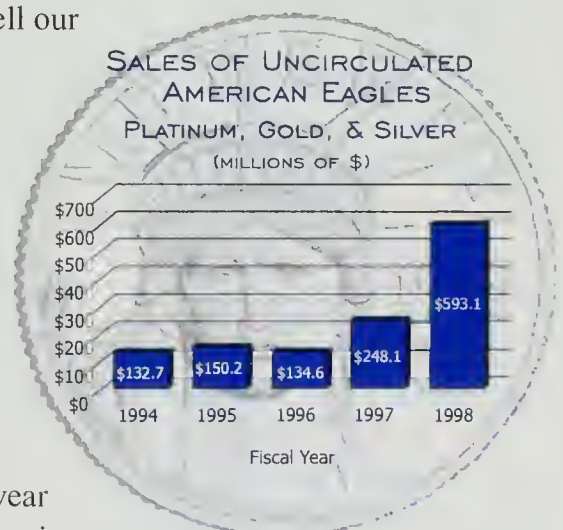
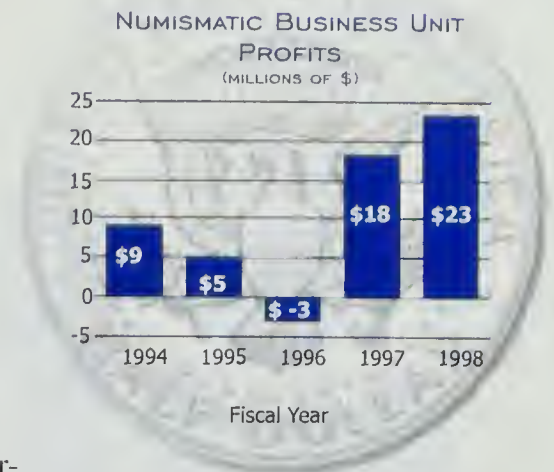


The strong performance of Platinum American Eagle bullion coins continued in their second year. Sales for the fiscal year of 144,854 ounces exceeded our projections by almost 50 percent. Second-year success confirms our strategy of offering a full range of bullion products, and it solidifies our position as the world's premier provider of bullion investment coins. Only one year after their introduction, Platinum American Eagles commanded an 80 percent share of the global market in 1998.

Sales of Silver American Eagle bullion coins, the world's leading silver investment coin for many years, eased: 3,850,529 ounces versus 4,354,560 ounces in fiscal 1997. More than 71.8 million ounces have been sold since 1986.

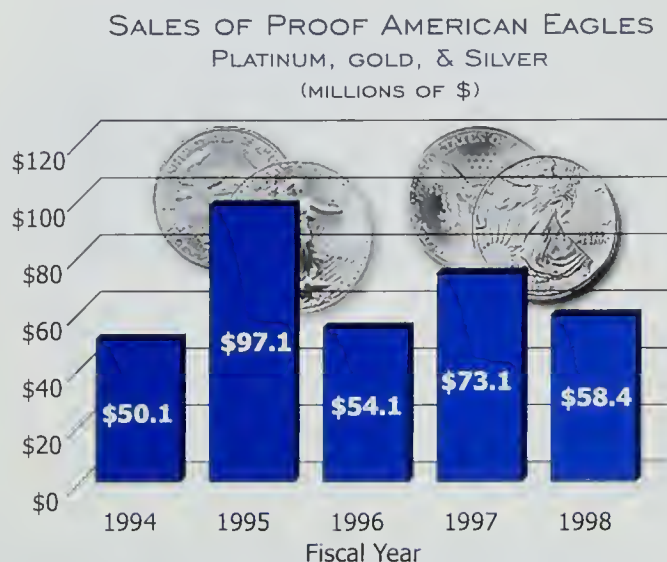
We're committed to this market and to our private sector partners who sell our coins to the public. No one shows our commitment more than employees at the West Point Mint, whose dedication made it possible to meet 1998's extraordinary demand for bullion coins.

As we've reported, bullion Eagle margins are narrow. Meeting demand in periods like 1998 brings higher production costs which can consume already thin margins. Clearly, practices we initiated earlier and continued throughout the year—greater use of precious metals hedging, reductions in cost of fabricating blanks, production improvements, and yield enhancements—are well chosen strategies. Through them we expect to meet our strategic plan goal of one percent profit margins on bullion sales by the year 2000 while maintaining our status as the world's leading bullion coin producer in all three precious metal markets.



Proof American Eagles

Sales of Proof Gold American Eagles, generally bought by collectors, fell 21 percent in 1998 to 46,856 ounces. In recent years, we've imposed lower mintage limits and created distinctive product options to enhance the value of proof Eagles to collectors.



Proof Platinum American Eagles performed well in their second year, selling out three denominations and almost selling out its four-coin ensemble by fiscal year-end. Sales reached 28,104 ounces by September 30, compared with first-year sales of 33,695 ounces. We reduced mintages in 1998 to increase the value of these coins to collectors.

Proof Silver American Eagles sales slipped to 428,470 coins, down 11 percent from 482,610 coins the previous year. The decline disappointed us, but this product has been maturing for some time.

Proof American Eagles have been the cornerstone of profitability for the Mint's numismatic line for the past decade. Cost reductions and higher profits from other products allowed us to

reduce our dependence on Proof Eagle profits and thereby to reduce mintages in 1998. We are likely to do so again in 1999. By doing so, we hope to reinforce the secondary market value of Proof Eagles as a way of rewarding our most loyal customers.

Annual Sets



Annual coin sets—Uncirculated Sets, Proof Sets, Silver Proof Sets, and Premier Silver Proof Sets—are our core numismatic products and the heart of many collections. Sales increased six percent to 4,035,637 sets as numismatists responded to developments affecting these products. First, the 50 State Quarters program begins in 1999, so the 1998 sets are the last to include the eagle quarter reverse for 10 years. Second, 1998 was the final year for Premier Silver Proof Sets, and collectors bid farewell by driving sales up 70 percent to their highest since the product debuted in 1992.

Commemorative Programs

The National Law Enforcement Memorial Silver Dollar ended with proof and uncirculated sales of \$4,898,000, a good showing given recent commemorative coin trends. Strong management closed this program with a profit.

On the other hand, the Black Revolutionary War Patriots Silver Dollar sold the fewest units in the history of modern commemorative coin programs despite our best efforts. The program is unlikely to reach break-even when it closes in December 1998. Sales were \$3,653,000 for proof and uncirculated coins at September 30.

Reception of the Robert F. Kennedy Commemorative Silver Dollar was gratifying, reaching sales of \$7,857,000. One element of this program's success was a special product option, The Brothers Set—a proof JFK half-dollar and an RFK silver dollar in distinctive matte finish. A second was a novel promotional idea: instead of limiting the number of sets, we limited the time we accepted orders to the six-week pre-issue period. This created urgency among collectors and brought us cost and production benefits from knowing how many coins to produce. This innovation served us and the hobby, and it's a win-win option for the future. The program will close profitably on December 31, 1998.

FY 97-98 Programs	Silver Proof	Silver Unc.	Gold Proof	Gold Unc.
1996 - National Community Service	101,543	23,500	—	—
1996 - Smithsonian	129,152	31,230	21,772	9,068
1997 - Botanic Gardens	189,671	58,505	—	—
1997 - Franklin D. Roosevelt	—	—	29,474	11,991
1997 - Jackie Robinson	110,002	30,380	24,072	5,174
1997 - National Law Enforcement	105,103	27,726	—	—
1998 - Robert F. Kennedy	88,682	102,206	—	—
1998 - Black Patriots	69,711	34,363	—	—



ROBERT F. KENNEDY

JACKIE ROBINSON

FY 1998 COMMEMORATIVE COIN PROGRAMS



BLACK REVOLUTIONARY
WAR PATRIOTS

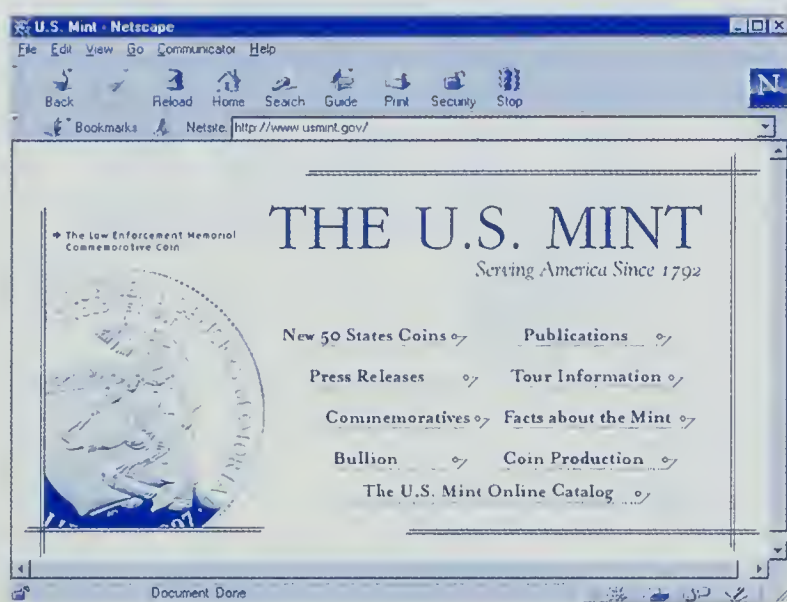


LAW ENFORCEMENT MEMORIAL



Catalog and Non-Traditional Sales

By wide acclaim, we hit stride with our *Holiday Gift Collection Catalogs*. Hobbyists, gift-givers, veteran mail order shoppers, and folks who have not seen our catalogs before have complemented us on spanning products and price points, balancing collector rarities with eye-catching novelties, and showing knowledge of our customer by retailing items like coin dies. Strong sales support that assessment: for fiscal 1994 through 1996, catalog sales averaged \$14 million, but our December 1997 catalog jumped to \$17 million.



1-800-USA-MINT

tions by promoting Eagles as premiums and incentives to attract customers, reward employees, and thank supporters. Without doubt, the circulating commemorative quarters we'll issue in 1999 through 2008 and the new dollar coin in 2000 are incredible opportunities to increase numismatic sales among collectors and non-collectors. We'll seize these opportunities by revving up a national media campaign and by reviving products that turned earlier generations into collectors—products like the 50 State Quarters Coin Map, a United States map which can be filled in with quarters as each state's appears in pocket change.

Information and Organization

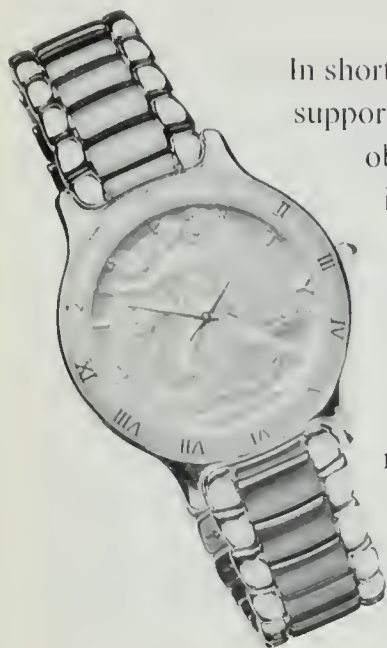
We also are optimistic that the Numismatic Business Unit's work to enhance information management and database marketing will pay off in sales, profits, and efficiencies. Last year's annual report described our Marketing and Customer Service project, nicknamed MARCUS, as the infrastructure for future Mint marketing, and we're convinced our description was correct now that we've implemented MARCUS.

State-of-the-art technology will provide information about product preferences of each of our 1.1 million customers. By integrating that data into MARCUS, we'll know each likely customer in each potential market segment and will be able to tailor messages and media. We'll be able to cut costs while jump-starting response rates from mailings.

An increasing number of sales in years ahead will come from cyberspace, and a larger part of our marketing effort will be focused there. Throughout the year, our Electronic Information and Products staff continued to lead us into e-commerce via our on-line catalog, maintained our web page, and began developing a product base of coin facts, software, screen savers, and CD-ROMs that we can sell, use in promotions, or provide as information.

One strategic plan goal for our Numismatic Business Unit is to attract a quarter-million new consumers by 2002. In fiscal 1998 as in years past, we reached out to a broader customer base by offering jewelry, personal accessories, and home-office items made from gold, silver, and platinum Eagles. We also continued our sales outreach to corporate and nonprofit organiza-





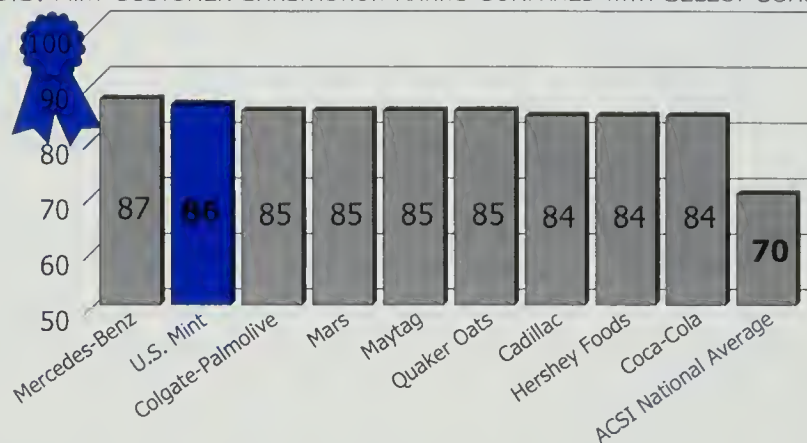
In short, MARCUS unifies planning, promotion, service, market channeling, and administrative support for our numismatic business. Information management is central to our strategic plan objective of matching best-in-business standards in customer service, and our achievement in this regard remains superlative. For a third consecutive year, the U.S. Mint led all government agencies in customer satisfaction measures and ranked behind only Mercedes-Benz of North America in quality ranking surveys by National Quality Research Center at the University of Michigan School of Business.

Evolving from a marketing department to a manufacturing-marketing business unit was a great challenge in 1998 and will continue to

be in 1999. Our Numismatics

SBU created or redefined 96 jobs, including positions like channel managers and business development specialists to expand markets and counter declines in our core business. In filling some positions, we're proud to have enticed talented people from the private sector, because their joining us confirms we're offering attractive professional opportunities.

AMERICAN CUSTOMER SATISFACTION INDEX (ACSI) STUDY
U.S. MINT CUSTOMER SATISFACTION RATING COMPARED WITH SELECT COMPANIES



West Point Mint coin press operators Mary Ostrander, Elena Cintron, Larry Norton, and Maria Torres inspect American Eagle gold coins.

Success in its basic mission will always be the foremost task of the U.S. Mint Police, even as it expands into its new role as a business unit. That role is to protect the \$72.8 billion of gold and silver in our vaults, the \$1 billion of coinage we produce yearly, the hundreds of thousands of visitors we receive each year, the 2,235 employees who work at our six facilities, and the immediate surroundings of those facilities. The measure of success is straightforward: whatever happens, the gold stays put, coins arrive promptly, employees and visitors remain safe.



For people determined nothing will happen, our Protection Business Unit posted an extraordinary achievement for fiscal 1998: it earned local and national recognition from peers as law enforcement equals. It's appropriate that came about through a coin program—specifically, the commitment our officers made to the National Law Enforcement Memorial Silver Dollar, proceeds from which support a national memorial for slain policemen and policewomen that's steps away from our headquarters in Washington, D.C.

Our officers represented the coin and its cause at law enforcement conventions, safety assemblies, and gatherings of security officers throughout the year. Among many locales, their appearances in Oklahoma City, Los Angeles, Boston, Salt Lake City, and at every precinct in New York City made law enforcement entities more aware of the professionalism of the Mint Police.

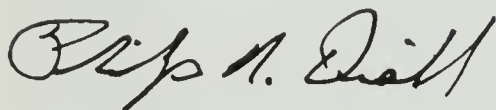
Our enhanced reputation improved retention and recruiting: en route to establishing a force of 400, we advertised 60 positions for officers and supervisors in fiscal 1998 and received 800 applications. It also advances the Protection Business Unit's plan to increase business revenues. We are, after all, the agency that made Fort Knox a metaphor for high echelon protection, and it's a logical step for us to offer high security custody and security consulting services.



Officers Anthony Kuklinski (Fort Knox), John Buleza, and Henry Blackwell (Philadelphia) display the Law Enforcement Officers Memorial coin at an information technology conference in Washington, D.C.

Conclusion

It sounds puzzling to say we're better able to market high-security storage as the offshoot of promoting a commemorative coin, yet those are the synergies of excellence now prevailing throughout the United States Mint. Several years ago, we asked Congress for permission to operate outside governmental appropriations and procurement regulations. Earning that privilege enabled us to invest in equipment that increased output and reduced costs. Higher output and lower costs will pay off as we launch history's largest and longest running series of new circulating coins. Those new circulating coins will lead to products that multiply our numismatic business unit initiatives. We're better able to manage those initiatives because we developed state-of-the-art information capabilities. Those capabilities make us more responsive to Congress, numismatists, and the American people. Now and for the years ahead, that's what it means to take care of business at the United States Mint.



Philip N. Diehl, Director
United States Mint
September 30, 1998



Highlights from Fiscal Year 1998:

- ◆ The Mint made significant progress in implementing a new business enterprise-planning system that will correct a long-standing FMFIA weakness and the major component of ensuring that our systems are year 2000 (Y2K) compliant.
- ◆ Increased circulating coins shipped (face value) to the Federal Reserve in FY 1998 by 35 percent above FY 1997 levels for a total of \$923 million.
- ◆ Numismatic sales increased by 61.5 percent, primarily due to a dramatic increase in the demand for uncirculated gold bullion coins.
- ◆ Five of six commemorative coin programs with sales in FY 1998 were profitable.
- ◆ Actively and successfully complied with the Prompt Payment Act and significantly increased payments made by electronic funds transfers.

Regulatory Compliance

The Mint is subject to various legislation aimed at enhancing the quality of financial management information.

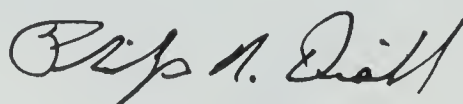
Federal Managers' Financial Integrity Act and Federal Financial Management Improvement Act of 1996

ANNUAL ASSURANCE STATEMENT FISCAL YEAR 1998

The United States Mint has evaluated its systems of management control for the fiscal year ending September 30, 1998, in accordance with procedures and standards prescribed by the Office of Management and Budget and the General Accounting Office. Due to the on-going need for an integrated enterprise-wide management information system, the management controls of the Mint, taken as a whole, do not provide full assurance that all of the objectives of the Federal Managers' Financial Integrity Act (FMFIA) were achieved during fiscal year (FY) 1998. Because of the lack of integrated systems, the Mint cannot provide reasonable assurance that all objectives of Section 4 of the FMFIA were met. However, the evaluation found that there is reasonable assurance that the objectives of Section 2 of the FMFIA were achieved during FY 1998.

For the same reason, the Mint cannot give assurance that all of the provisions of the Federal Financial Management Improvement Act of 1996 were achieved during FY 1998.

Although the Mint cannot provide assurances that all of the objectives of Section 4 of FMFIA or FFMIA were met for FY 1998, we have devoted significant effort to correct this problem. Subsequent to September 30, 1998, the Mint implemented its new business enterprise resource planning system at all Mint locations. This system contains financial modules that will bring the Mint into compliance with both Section 4 of FMFIA and FFMIA. I look forward to providing full assurance in next year's report.



Philip N. Diehl
Director
United States Mint

The Mint received its fifth consecutive unqualified audit opinion on its FY 1998 financial statements. In addition, we made significant progress toward resolving the two outstanding FMFIA Section 4 material non-conformances that were reported in the FY 1997 FMFIA report. The two remaining material non-conformances relate to the Mint's need for an integrated enterprise-wide management information system and for related procedures. Although there are two non-conformances carried in the Treasury system for tracking FMFIA actions, the independent public accountants reported only one material weakness in the FY 1997 audit report.

The material non-conformances open as of September 30, 1998 were the following:

- ◆ The Mint's financial management system is comprised of diverse mainframe, manual, and personal computer based systems that are not integrated and do not provide management with useful, timely information.
- ◆ Procedures for data consolidation from non-general ledger sources into financial statements are not documented.

In early FY 1999, both of these outstanding items were resolved with the implementation of the Consolidated Information System (COINS). The main purpose of COINS is to integrate manufacturing, finance, marketing, and customer service, thereby assuring that management has critical and consistent information to make strategic and operational decisions. In addition, COINS enhances our ability to comply with requirements of the CFO Act, the Government Performance and Results Act, the Government Management Reform Act, and the Federal Financial Management Improvement Act.

During FY 1998, we dedicated significant human and financial resources to the implementation of COINS. The COINS Team, composed of both Mint and contractor personnel, developed the interfaces between the financial, manufacturing, and order entry software packages that are the basis of COINS. In addition, the COINS Team performed extensive system and transaction testing to ensure that the COINS components were exchanging data successfully and that transactions were processed correctly. Almost all Mint personnel received training in one or more components of COINS, with training scheduled for "just in time" delivery. From mid-September through the middle of November, members of the COINS Team were at the various Mint locations to help with the conversion to COINS.

We met our "go live" dates—October 1 for Headquarters, Philadelphia, and West Point and October 31 for Denver and San Francisco. Any subsequent modifications or additions to COINS will be enhancements to the basic functionality in place as of October 1, 1998. With the implementation of COINS, we believe we will meet the requirements of both the FFMIA and FMFIA.

Year 2000 Readiness

We identified 28 crucial information systems with deficiencies that could have impeded essential operations after December 31, 1999. All 28 systems have been replaced or repaired to be Year 2000 (Y2K) compliant—all have been tested, validated, and placed in operation. COINS is our primary means of overcoming potential Y2K technology problems. At September 30, 1998, we were reviewing all of the COINS systems tests and will complete a review of the implementation effort in mid-January 1999. We have or will obtain documentation from external vendors to certify that all supporting hardware and software are Y2K compliant.

Our non-information technology systems (i.e., telecommunications and other equipment) are being brought into compliance either through upgrade or replacement in accordance with the Mint's Year 2000 contingency plan. All

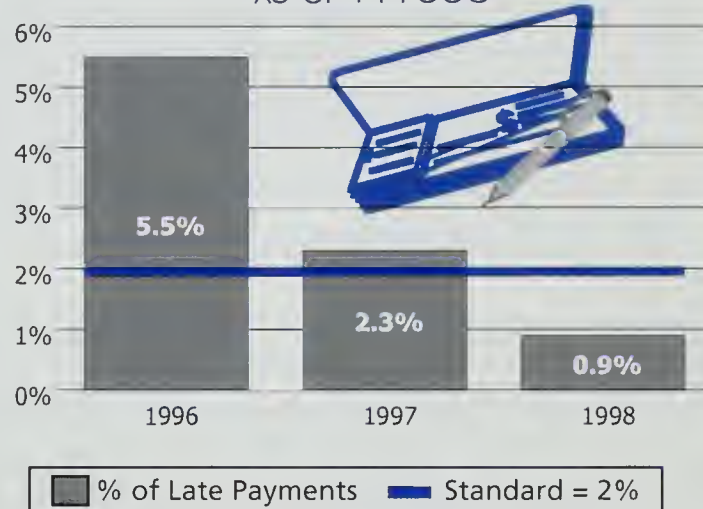
activities are on schedule. As of September 30, 1998, we had upgraded the telecommunications infrastructure at five of our six locations. The remaining location will be upgraded in early 1999. We identified 19 critical non-information technology systems with potential Y2K problems. Those systems will be addressed in accordance with our Y2K contingency plan. Our plans and progress toward meeting critical milestones are regularly reported and discussed with Treasury officials. We also are working with an independent party to verify and validate the Mint's Y2K compliance efforts. We are confident that our plans will bring Mint systems into full Year 2000 compliance.

We also sent extensive questionnaires to 19 critical suppliers to assess their Y2K plans and assure ourselves that they can deliver required materials after 1999. Each of the 19 suppliers completed and returned a questionnaire. Our Y2K consultant is inspecting all of the suppliers to validate their responses. One supplier was identified at risk, but has since made substantial progress and should be in compliance in early 1999.

Prompt Payment Act

During FY 1998, the Mint continued its progress to strengthen its invoice payment process and was able to successfully isolate issues contributing to non-compliance with the Department standard. The overall percentage of late payments for FY 1998 was 0.9 percent, which was well under the Department's standard of 2.0 percent. This rate was a significant improvement compared to the 2.3 percent late payment rate during FY 1997.

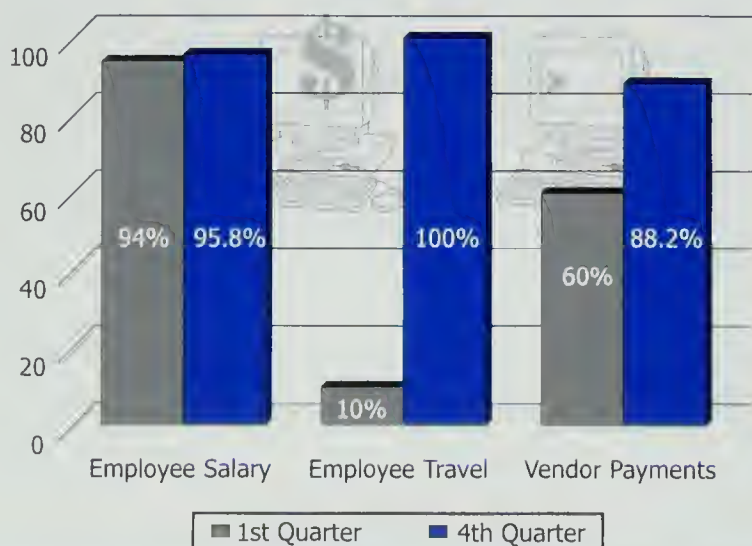
TIMELINESS OF PAYMENTS AND COMPLIANCE WITH PROMPT PAYMENT ACT AS OF FY 1998



EFT Payments

The Mint recognizes the efficiencies and cost savings to the government of using electronic funds transfer (EFT) for its financial transactions. Therefore, the Mint encourages its employees and business partners to conduct business electronically. During the fourth quarter, the Mint required all travel reimbursements to employees be paid by EFT, thus reaching our goal of 100 percent. Employee salaries paid by EFT increased slightly and vendor payments improved significantly over the first quarter FY 1998. The Mint intends to build on these successes to further improve these percentages.

PERCENTAGE OF PAYMENTS MADE BY EFT
1ST QUARTER FY 1998 V. 4TH QUARTER FY 1998



Financial Statement Highlights

FY 1998 was a year of growth and profitability and the Mint received its fifth consecutive unqualified opinion on its financial statements. The Mint operated at a \$617.0 million surplus for FY 1998 and contributed \$562 million to the Treasury General Fund, compared to a \$446.7 million surplus and contribution of \$465 million in FY 1997.

Significant Account Changes

At September 30, 1998 and 1997, the Mint reported the following financial statement line items in millions:

	FY1998	FY1997	\$ Change	% Change
Total assets	\$599.3	\$562.1	\$37.2	6.6%
Total liabilities	\$186.2	\$186.9	(\$0.7)	(0.4%)
Total revenues	\$1,590.8	\$1,090.3	\$500.5	45.9%
Total costs and expenses	\$973.8	\$643.6	\$330.2	51.3%

Among the most significant changes on the Balance Sheet, operating inventories decreased by \$94.2 million in FY 1998. The inventory of materials used to produce clad coinage (dimes, quarters, and half-dollars) was lower by \$19.5 million. The demand for circulating coins exceeded production by approximately 1.6 billion coins, which contributed to the inventory reduction. In addition, supplies of the Susan B. Anthony dollars were reduced by \$44.6 million. Further, the operating inventories of gold and silver were lower by \$24.8 million, due to the extraordinary demand for the Mint's bullion products.

Overall, Total Assets increased by more than six percent during FY 1998. The Mint increased its property, plant, and equipment balance by \$58.4 million. This increase further enhanced capacity, replaced outdated equipment, and funded the COINS integrated information system. The lower operating inventories described above were offset by a higher fund balance of \$95.3 million. This increase is due to significant variability of business activity. Decreases in Total Liabilities are attributable almost entirely to lower accounts payable balances at the end of FY 1998.

Total Revenue for FY 1998 increased by \$500.5 million over FY 1997, representing a 45.9 percent increase. Approximately half, or \$240.8 million, of the increase is due to the greater demand for circulating coins. The steady, strong economy is fueling increased demand for coinage. The incredible demand for numismatic bullion fueled the remainder of the increase in revenues to the tune of \$259.7 million. Sales of bullion and numismatic products increased by more than 61 percent for FY 1998 over FY 1997 levels. This increase is attributable to the runaway FY 1998 sales of uncirculated American Eagles, which were 117 percent higher than sales in FY 1997. Numismatic activity, exclusive of the bullion program, did not fair as well with FY 1998 sales down 19 percent from FY 1997.

Commemorative Coin Program Results

The table on the next page shows results of active commemorative coin programs as reported in the Quarterly Financial Report to Congress as of September 30, 1998.

Financial Summary
From Program Inception Through September 30, 1998

	<i>Botanic Garden</i>	Franklin Roosevelt	<i>Jackie Robinson</i>	Law Enforcemt.	<i>Robert Kennedy</i>	Black Patriots	<i>George Washington</i>
Revenues	\$9,099	\$7,934	\$11,395	\$4,898	\$7,857	\$3,653	\$ 0
Cost of Goods Sold	\$3,364	\$3,971	\$ 4,836	\$1,751	\$2,378	\$1,374	\$ 53
Selling, General and Administrative Expenses	\$2,573	\$1,981	\$ 2,923	\$1,530	\$2,271	\$1,380	\$ 0
Net Profit Before Surcharges	<u>\$3,162</u>	<u>\$1,982</u>	<u>\$ 3,636</u>	<u>\$1,617</u>	<u>\$3,208</u>	<u>\$ 899</u>	<u>(\$ 53)</u>
Surcharge on Revenue	\$2,482	\$1,448	\$ 2,425	\$1,344	\$1,909	\$1,040	\$ 0
Estimated Program Close-out Costs	\$ 19	\$ 59	\$ 657	\$ 75	\$ 91	\$ 145	\$ 0
Estimated Program Profit	<u>\$ 661</u>	<u>\$ 475</u>	<u>\$ 554</u>	<u>\$ 198</u>	<u>\$1,208</u>	<u>(\$ 286)</u>	<u>(\$ 53)</u>

Public Law 104-208, "Omnibus Consolidated Appropriations Act for Fiscal Year 1997," requires the Mint to withhold surcharges from commemorative coin program beneficiaries until all production and marketing costs are recovered, and until the beneficiaries have raised other monies from private sources equal to the maximum amount of surcharges that could be generated from their coin program. The estimated program closeout costs as required by P.L. 104-208 are included in the above table. Estimated closeout costs include melting and fabrication costs associated with unsold coin inventories, manufactured dies, and unused packaging materials. The Mint fully expects to recover the estimated closeout costs through the sale of coins. In the event that coin sales are insufficient to recover the total cost of the program, the shortfall would be subtracted from the surcharges collected reducing the amount of surcharges paid to the beneficiary organization.

The Mint began preparation for the George Washington Commemorative Program during FY 1998; however, the program launch dates did not occur until after the end of the fiscal year. As a result, the Mint's commemorative coin program profit and loss statements show initial start-up expense, but no sales activity. Sales for this program will be reported in FY 1999.

Supplemental Statement of Net Cost

In FY 1997 the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget developed new financial statement requirements for FY 1998. The Mint presented the new format, for two of the new statements, one year ahead of schedule as supplemental information in its FY 1997 annual report. The FY 1998 supplemental Statement of Net Cost is included again in this report. This statement displays total program costs less revenue earned attributable to each of the Mint's three core business units.

The statement shows that the Numismatic and Bullion Programs were self-sustaining, with net program profits of \$22.1 million. The Circulating Coinage Program also shows net profit rather than net cost, making it a self-sustaining operation. For FY 1998, program profits were \$587.8 million. The Mint sells circulating coins to the Federal Reserve Banks at face value. However, the Mint is only entitled to retain sufficient revenues from these transactions to meet the needs of the Public Enterprise Fund. The remaining proceeds are remitted to the Treasury General Fund. For FY 1998, the Mint transferred \$562 million to the Treasury General Fund.

The only program that is not self-sustaining is the Mint's obligation to guard the Nation's gold and silver reserves at Fort Knox and the other Mint facilities. The Mint successfully fulfilled this mission activity during FY 1998 at a cost of \$16.9 million. However, because the gold and silver reserves that the Mint safeguards exceed \$10.4 billion (statutory value) in FY 1998, the Mint's cost to perform its responsibilities is less than two tenths of a cent per dollar guarded.

The Statement shows that more than \$925 million was spent in support of American commerce during FY 1998. The most significant purchases from industry were for precious and non-precious metal used in coin production. The Mint also purchased more than \$33 million in precious metals from the Treasury (gold) and the Department of Defense (silver) for use in bullion, numismatic, and commemorative coins.

Performance Measures

Under GPRA, agencies must develop performance measures and plans to gauge the success of programs and missions against those barometers. The Mint began to implement these requirements into its budget and reporting responsibilities in FY 1994. The performance measures identified in the Mint's Strategic Plan are reported upon as part of this annual report. While core missions change little from year to year, the Mint continues to define performance objectives and appropriate performance outcome measures that better gauge the results of its business and activities. The Strategic Plan presents goals relating to the Mint's three mission areas and three enabling goals. Within each goal, multiple objectives and strategies are identified to achieve the goal. Finally, specific quantitative performance measures are provided to gauge the Mint's success in achieving the goal. Within the context of this report, the Mint is presenting representative performance measures identified for its mission.

Circulating Coinage

GOAL:

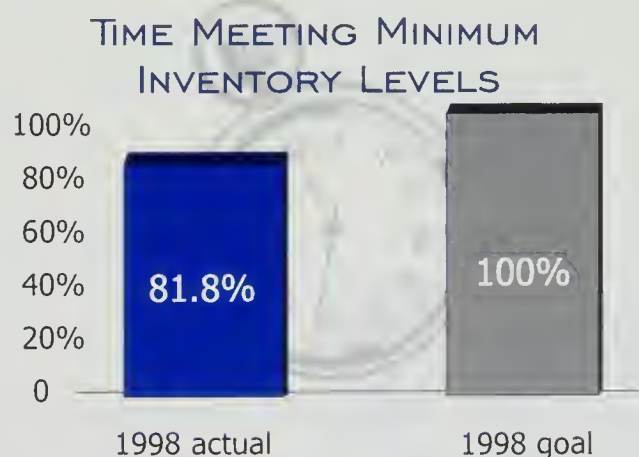
Produce coins and maintain inventories at sufficient levels to meet Federal Reserve Bank (FRB) demand

MEASURES:

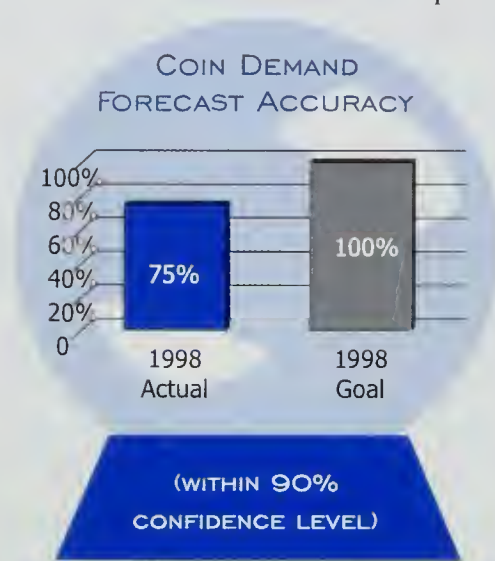
Frequency of time meeting a minimum inventory standard R squared (statistical relationship between historical economic data and coin demand)

Frequency of time within 90% confidence interval

Each year, the Mint's goal is to maintain inventory above prescribed minimum levels within normal operating capacity 100 percent of the time to avoid coin shortages. These inventory levels are based upon expected demand from the FRBs based on several factors including the economy, seasonal spending patterns, and savings trends. However, forecast models must be used to anticipate demand into the future and economic reality may not always mirror those projections. Therefore, the Mint may occasionally experience short-term shortages in inventory levels. Changes to the Mint's procurement regulations and operating structure, however, have permitted greater flexibility to react more quickly to unexpected demand. In FY 1998 the Mint met its inventory level 81.8 percent of the time. The goal of 100 percent was not met because actual coin demand was stronger than expected in FY 1998 and this demand outstripped the original baseline. In FY 1998, 16.6 billion coins were shipped; an increase of 30.7 percent above the 12.7 billion coins delivered in FY 1997.



During FY 1998, the Mint produced about 15 billion coins. This reflects a small increase from the 14 billion coins produced in 1997, but still represents a decrease in coin demand from the unprecedented 20 billion coin levels experienced from FY 1994 through FY 1996.



Another means of achieving target inventory levels is to increase the quality of the forecasting tools. In FY 1998, 75 percent of the Mint's coin demand forecasts were accurate within a 90 percent confidence level. Work is being done on improving the forecasting models and future enhancements may focus on further increasing this confidence level.

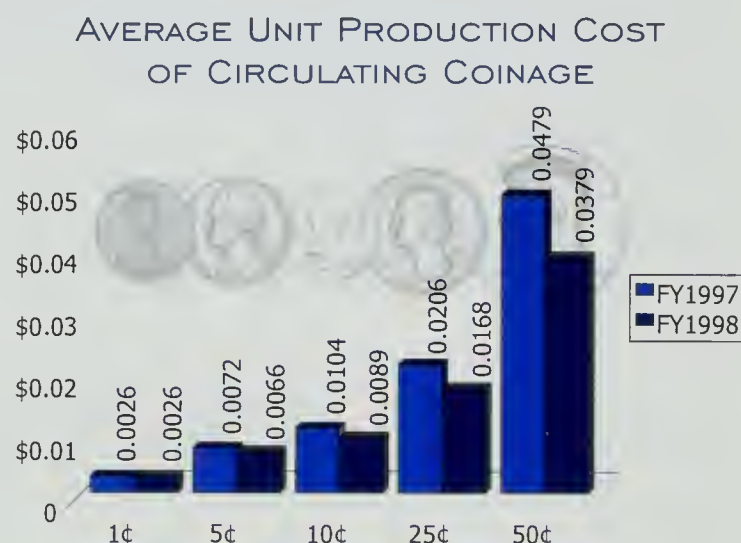
GOAL:

By 2002, reduce the average unit cost of circulating coinage by 25 percent (excluding metal)

MEASURE:

Average unit cost of circulating coin

The Mint has established FY 1997 as the baseline against which to measure this five-year goal aimed at improving the efficiency of producing coins and eliminating activities that add no value to our products. Since average unit costs can vary greatly depending on the mix of cents and clad coins produced during the year, the Mint reports on these costs by denomination. The Mint succeeded in lowering most of its circulating coin costs (excluding metals) in FY 1998. For purposes of comparison, the FY 1997 average unit cost of \$0.0177 was restated to the weighted average unit cost of \$0.0059. In FY 1998 the Mint reduced the average unit cost of circulating coinage (excluding metals) to \$0.0054 representing a decrease of eight percent from FY 1997. This favorable performance is due primarily to the production mix.



Numismatic/Bullion Products

GOAL:

Match the best in business in product quality and customer service

MEASURES:

- American Customer Satisfaction Index
- Schulman, Ronca, and Bucuvalas, Inc. customer survey (SRBI)
- Internal performance tracking and measurement system

The Mint has established a 100 percent goal for completing various types of transactions with customers within prescribed time periods. Monitoring actual performance against this goal is performed weekly. The Mint's performance against these 100 percent goals is shown in the following table:

Selected Customer Service Standards	97 Actual	98 Actual	98 Budget
Calls Returned within 1 Day	93%	100%	100%
Refunds Processed within 14 Days	41%	73%	100%
Replacements Processed within 7 Days	78%	86%	100%
Written Responses Mailed within 3 Days	100%	90%	100%
Bullion Coins Available within 6 Days	100%	100%	100%

Improvement was made in three of the five customer service standards and the stated goal was attained in two of the five. The principal reason for not meeting the goals related to the installation of the Mint's new order entry system in August as a part of the COINS implementation. The start up of the new system caused delays in the fourth quarter, which prevented the attainment of the 100 percent goals.

In addition to the overall goals stated above, the Mint has set targets of shipping 98 percent of commemorative coins within four weeks and recurring program coins within three weeks of order date. In FY 1998, the Mint met the goal on 82 percent of commemorative coin orders and on 97 percent of recurring program coin orders. Again, the implementation of the new order entry system was the major factor for not achieving the target of 98 percent.

GOAL:

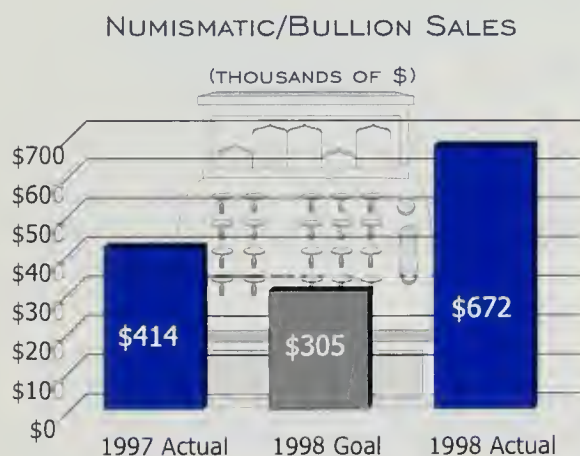
Increase the contribution margin of the numismatic/bullion operation by aggressively pursuing new customers, new market channels, and new product lines

MEASURES:

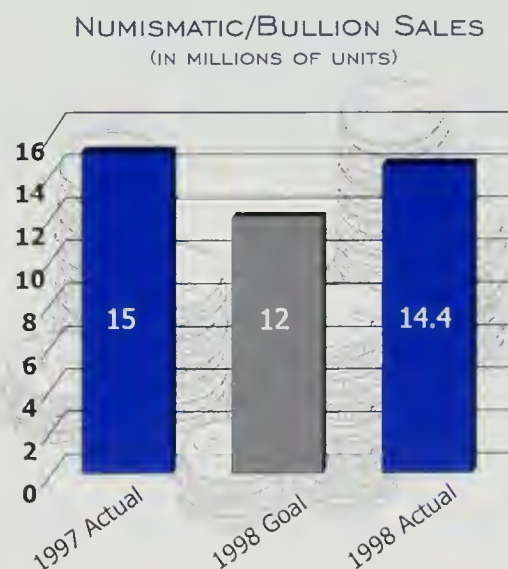
Numismatic/bullion contribution margin

Recurring, bullion and commemorative unit sales (in millions)

Recurring, bullion and commemorative sales in dollars (in thousands)



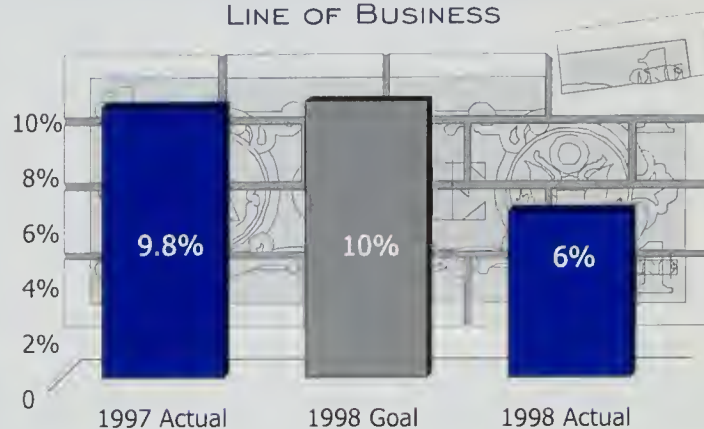
During 1998, the Mint was able to increase product sales. The Mint set performance goals for FY 1998 at 12.0 million units and \$305.1 million for revenue. Both goals were met with unit sales of 14.0 million and revenue of \$671.8 million. The increased sales volumes were driven by a 117 percent increase in bullion sales. The uncertainty in monetary markets coupled with a historically low price for gold likely fueled the unexpected gold coin sales.



The Mint has aggressively pursued new customers, new market channels, and new product lines, while promoting brand awareness and establishing business partnerships to increase sales.

The Mint set the annual target rate for its contribution margin for numismatic and commemorative products at 10 percent. In FY 1998, the Mint did not meet this target due to the sales product mix. FY 1998 brought unprecedented and unexpected levels of demand for bullion products, which have a lower profit margin than other numismatic products. Had the Eagle uncirculated programs performed as originally planned, our contribution margin would have been 11 percent.

CONTRIBUTION MARGIN OF NUMISMATIC/BULLION LINE OF BUSINESS



Protection of Assets

GOAL:

Provide a level of security commensurate with changing threats

MEASURES:

- Losses as a percent of reserve value
- Crimes against persons

The Mint secures more than \$72.8 billion (market value) of the American people's gold and silver. The Mint also produced and shipped approximately \$923 million in circulating coinage and processed approximately \$672 million in customer payments for numismatic and bullion products. Mint security forces protect these assets while safeguarding more than 2,000 Mint employees against potential threats at six facilities. In FY 1998, the Mint's goal was to maintain losses at less than one-one-thousandth of a percent of total reserve value. The Mint exceeded this goal by having losses of less than one-ten-thousandth of a percent of reserve value.

DEPARTMENT OF THE TREASURY — U.S. MINT
STATEMENT OF FINANCIAL POSITION
(IN THOUSANDS)

	September 30, 1998	1997
ASSETS		
Current assets		
Fund balances with Treasury and cash (Note 3)	\$202,657	\$107,353
Accounts receivable, net (Note 4)	3,572	4,191
Operating inventories, net (Note 5)	183,884	278,039
Advances and prepayments (Note 6)	3,253	2,071
Total current assets	393,366	391,654
Non-current assets		
Property, plant and equipment, net (Note 7)	154,608	96,228
Other assets (Note 8)	51,349	74,213
Total non-current assets	205,957	170,441
Total assets	\$599,323	\$562,095
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable - Federal (Note 9)	\$44,676	\$68,008
Accounts payable - Non-Federal	47,512	18,487
Surcharges payable	6,324	7,788
Unearned revenue	5,843	3,331
Accrued salaries and benefits/unemployment insurance	6,011	4,990
Total current liabilities	110,366	102,604
Non-current liabilities		
Accrued workers' compensation benefits	24,523	25,451
Accrued annual leave	6,596	6,100
Accounts payable - Federal (Note 9)	44,155	50,551
Other liabilities	557	2,151
Total non-current liabilities	75,831	84,253
Total liabilities	\$186,197	\$186,857
NET POSITION		
Fund balance	\$413,126	\$375,238
Total liabilities and net position	\$599,323	\$562,095
CUSTODIAL GOLD AND SILVER RESERVES		
United States' gold and silver reserves (Note 10)	\$10,473,267	\$10,468,581
Custodial liability to Treasury (Note 10)	\$10,473,267	\$10,468,581
Net custodial position	—	—

The accompanying notes are an integral part of these statements.

DEPARTMENT OF THE TREASURY — U. S. MINT
STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION
(IN THOUSANDS)

	<u>Years Ended September 30,</u>	
	1998	1997
Revenues		
Circulating coinage revenue	\$923,487	\$682,688
Sales to the public (numismatic sales)	671,778	415,091
Surcharges collected for beneficiary organizations (Note 14)	(4,991)	(7,839)
Other revenue	533	335
Total revenues	\$1,590,807	\$1,090,275
Costs and Expenses		
Cost of goods sold (Note 11)	895,466	565,401
Selling, general and administrative expenses (Note 12)	70,453	71,302
Other costs and expenses (Note 13)	7,903	6,910
Total costs and expenses	\$973,822	\$643,613
Financing Sources & Costs Not Assigned to Programs		
Imputed financing (Note 17)	6,862	7,344
Less: Additional employee benefit expenses (Note 17)	(6,862)	(7,344)
Total Financing Sources & Costs Not Assigned to Programs	—	—
Excess of Revenues Over Total costs & Expenses & Financing Sources, before Protection cost	616,985	446,662
Protection Costs	<u>(17,097)</u>	<u>(13,021)</u>
Excess of Revenues Over Total Costs & Expenses & Financing Sources	599,888	433,641
Net Position, beginning of year	375,238	406,597
Invested Capital	—	—
Transfers to Treasury's General Fund	(562,000)	(465,000)
Net position, end of year	\$413,126	\$375,238

The accompanying notes are an integral part of these statements.

DEPARTMENT OF THE TREASURY
U.S. MINT
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	<u>Years Ended September 30,</u>	
	1998	1997
Cash flows from operating activities:		
Excess of revenues and financing sources over total costs and expenses	<u>\$599,888</u>	<u>\$433,641</u>
Adjustments affecting cash flows:		
Decrease (Increase) in accounts receivable	619	(2,353)
Decrease in other assets	115,837	15,851
Increase (Decrease) in accounts payable	(703)	8,729
Increase in other liabilities	43	6,362
Depreciation and amortization	<u>8,492</u>	<u>6,274</u>
Total adjustments	124,288	34,863
Net cash provided by operating activities	\$724,176	\$468,504
Cash flows from investing activities:		
Purchase of property, plant and equipment	(66,872)	(17,865)
Net cash used by investing activities	(\$66,872)	(\$17,865)
Cash flows from financing activities:		
Funds transferred to Treasury	(562,000)	(465,000)
Net cash used by financing activities	(\$562,000)	(\$465,000)
Net cash provided (used) by operating, investing and financing activities	95,304	(\$14,361)
Fund balances with Treasury at beginning of year	\$107,353	\$121,714
Fund balances with Treasury and cash at end of year	\$202,657	\$107,353

DEPARTMENT OF THE TREASURY — U.S. MINT
SUPPLEMENTAL STATEMENT OF NET COST
FOR YEAR ENDED SEPTEMBER 30, 1998
(IN THOUSANDS)

COSTS:

NUMISMATIC PRODUCTION AND SALES

Intragovernmental	
Cost of Goods Sold	\$37,550
Selling, General and Administrative	848
Other costs and expenses	<u>892</u>
Total Intragovernmental	39,290
With the Public	
Cost of Goods Sold	574,788
Selling, General and Administrative	30,896
Other costs and expenses	<u>0</u>
Total With the Public	605,684
Less earned revenues	667,053
Net program costs (profit)	(\$22,079)

CIRCULATING PRODUCTION AND SALES

Intragovernmental	
Cost of Goods Sold	\$4,259
Selling, General and Administrative	5,885
Other costs and expenses	<u>5,970</u>
Total Intragovernmental	16,114
With the Public	
Cost of Goods Sold	278,870
Selling, General and Administrative	32,754
Other costs and expenses	<u>7,903</u>
Total With the Public	319,527
Less earned revenues	923,488
Net program costs (profit)	(\$587,847)

PROTECTION OF ASSETS	\$16,900
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COSTS ASSIGNED TO OTHER AGENCIES (not assigned to program):

Other post-employment benefit costs	\$70
Less funding sources	70
Net program costs (profit)	\$0

NET COST (PROFIT) OF OPERATIONS	(\$593,026)
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DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 1998

(Dollars are in thousands except Fine Troy Ounce information)

Note 1 Reporting Entity

Established in 1792, the Mint is an integral part of the Department of the Treasury. The mission of the Mint is to manufacture coins for general circulation, to manufacture and sell numismatic products for the benefit of the federal government and various beneficiary organizations, and to protect certain federal custodial assets. Numismatic products include medals, proof coins, uncirculated coins, platinum, gold, and silver bullion coins, and commemorative coins. Custodial assets consist primarily of the United States' gold and silver metal reserves. These custodial reserves are reported in the custodial segment of the Statement of Financial Position.

Manufacture of numismatic products is financed principally through sales to the public. Manufacture of circulating coinage is financed through sales of coins at face value to the Federal Reserve System. Activities related to protection of federal custodial assets are funded by revenues of the Mint's Public Enterprise Fund (PEF).

Pursuant to Public Law 104-52, the PEF was established to account for all revenues and expenses related to production and sale of numismatic products and circulating coinage and protection activities. Expenses accounted for in this fund include the cost of metals used in circulating coin production, the cost of non-Treasury metals (platinum, cupro-nickel, and zinc) used in numismatic coin production, fabrication and transportation-in costs for metals used in circulating coinage and numismatic products, and costs of transporting circulating coinage between Mint production facilities and Federal Reserve banks. Other costs/expenses accounted for in this fund include costs related to research and development and purchases of equipment, as well as capital improvements. P.L. 104-52 states that any amount in the PEF that is determined to be in excess of the amount required by the PEF shall be transferred to the Treasury.

Treasury's Bullion Fund (Bullion Fund) is used to account for and to purchase Treasury's gold and silver used in numismatic coin production. The costs of these metals remain in the accounts of the Bullion Fund until products are shipped to customers. The Bullion Fund is subsequently reimbursed by the PEF for the precious metal cost portion of the products sold. The United States gold and silver reserves are also accounted for in this fund.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. This basis conforms with generally accepted accounting principles. All inter-mint transactions and balances have been eliminated.

Revenues

Circulating Coinage: P.L. 104-52, establishing the PEF, provides for the sale of circulating coinage at face value to the Federal Reserve System. Revenue from circulating coinage is recognized when the product is shipped to the Federal Reserve Banks.

Numismatic Sales: Revenue is recognized when products are shipped to customers.

Other Revenues: These are amounts received principally from reimbursable agreements with other agencies.

Fund Balances with Treasury

Except for an imprest fund at each Mint facility, all cash is maintained at the Treasury. The Mint has disbursement authority for the Bullion Fund, but actual disbursements for this fund are recorded in accounts of the Treasury.

Operating Inventories

Inventories of circulating coinage and numismatic products are valued at the lower of cost or market value, with cost being determined by the average cost method. Absent historical cost records to determine acquisition cost of the gold and silver over the decades, the statutory rates of \$42.2222 per fine troy ounce (FTO) of gold and \$1.292929292 per FTO of silver are used. All work-in-process gold and silver inventories have been included in the Mint's financial statements.

The Defense Logistics Agency (DLA) has loaned the Mint 188,170.2 ounces of platinum to be used as working stock for its platinum programs. In the agreement with DLA, the Mint agrees to use the platinum and replace the amount used. This platinum supply is not carried in the accounts of the Mint; rather, DLA maintains accountability.

Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid expenses at the time of prepayment and are expensed when related goods and services are received. Advances to Treasury's Working Capital Fund are the primary types of prepayments and advances.

Property, Plant and Equipment

Property, plant, and equipment are valued at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of related assets as follows:

ADP Software	1 to 15 years
Machinery and Equipment	1 to 20 years
Structures, Facilities, and Leasehold Improvements	6 to 30 years

Costs and related depreciation of plant and equipment assets used jointly in numismatic and circulating coinage production are allocated to each activity based on usage percentages.

Major alterations and renovations are capitalized over the shorter of a 10-year period or the remaining useful life of the asset and depreciated on the straight-line method, while maintenance and repair costs are charged to expense as incurred.

Surcharges

Legislation authorizing commemorative programs often requires that the PEF remit a portion of the sales proceeds to beneficiary organizations. These amounts are defined as "surcharges." A surcharges payable is established for surcharges received but not yet paid to the beneficiary.

On September 28, 1996, P.L. 104-208, *Omnibus Consolidated Appropriations for Fiscal Year 1997* (the Act), was passed. The Act changed the requirements of paying surcharges for commemorative coin programs. The requirements of the Act make the benefiting organizations full partners in bearing costs, risks, and marketplace realities of selling coins. Benefiting organizations cannot receive surcharge payments unless all operating costs of the coin program are fully recovered. However, the Mint may make interim surcharge payments during a commemorative program if the benefiting organization meets the eligibility criteria in the Act, if the profitability of the program is determinable, and if the Mint is assured it is not at risk of a loss.

Annual, Sick, and Other Leave

Annual leave is accrued when earned and reduced as leave as taken. The balance in the accrued leave account is calculated using current pay rates. Sick leave and other types of non-vested leave are charged to operating costs as they are used.

Accrued Workers Compensation

A liability is recorded for estimated future payments to be made for workers compensation pursuant to the Federal Employees' Compensation Act (FECA). The liability is based on the net present value of estimated future payments. Estimated future payments to be made by the Treasury are calculated by the Department of Labor, which tracks and pays the claims and is subsequently reimbursed by the Treasury. A portion of Treasury's liability is allocated to the Mint based on prior claims payment experience.

Other Liabilities

Other liabilities consist of undeliverable numismatic products and obligations under capital leases. The majority of items under capital lease represent electronic data processing equipment, i.e., the mainframe computer, peripheral hardware and other items.

Displays and Archives

The Mint has a display area at each of its facilities and maintains archives at its headquarters in Washington, D.C. The displays and archives include valuable coins and commemoratives minted domestically and internationally and other artifacts related to minting operations. These items are not included in balances reported in these financial statements. Records are maintained of all coins, commemoratives, and valuable artifacts. Physical inspections are performed annually to assure accountability.

Protection Costs

The Mint is responsible for safeguarding much of the Federal government's precious metals and strategic stockpiles. These costs are borne by the Mint, but are not directly related to the circulating or numismatic coining operations of the Mint. Organizationally, the Protection Strategic Business Unit is a separate line of business from coining operations.

Note 3 Fund Balances with Treasury and Cash

Components of fund balances with Treasury at September 30 are as follows:

	1998	1997
Revolving fund	\$202,627	\$107,319
Imprest fund	30	34
	\$202,657	\$107,353

At September 30, 1998 and 1997, revolving fund balances included \$6.32 million and \$7.79 million, respectively, in restricted amounts for possible payment of surcharges to beneficiary organizations. Revolving fund balances also include amounts in budgetary clearing accounts.

Note 4 Accounts Receivable

Components of accounts receivable at September 30 are as follows:

	1998	1997
Accounts receivable, Federal	\$ 113	\$ 34
Accounts receivable, non-Federal	3,639	4,887
Less allowance for doubtful accounts	(180)	(730)
	\$3,572	\$4,191

Accounts receivable consist primarily of amounts due from bulk purchases of gold and bullion coins near year-end. These amounts were subsequently paid in early FY 1999.

Beginning in FY 1997, an allowance for uncollectible customer accounts receivable was established for all accounts that are delinquent more than 90 days. However, the Mint will continue collection action as specified by the Debt Collection Improvement Act of 1996.

Note 5 Operating Inventories

The components of operating inventories at September 30 are summarized below:

	1998	1997
Numismatic Programs:		
Operating components	\$62,192	\$94,301
Supplies	5,677	8,721
Dies	2,250	2,024
Allowance for program closeout	(657)	(7,003)
Sub-Total Numismatic	\$69,462	\$98,043
Circulating Coinage Program:		
Operating components	\$104,384	\$170,354
Supplies	8,834	8,740
Dies	1,204	902
Sub-Total Circulating Coinage	\$114,422	\$179,996
	\$183,884	\$278,039

Operating components of inventories include direct materials, direct labor, and overhead for work-in-process and finished goods inventories. Direct materials consist of metals, fabrication costs, and transportation-in costs (costs related to the shipment of metals from fabricators and between Mint facilities). Direct labor consists of direct factory labor costs, and overhead consists of indirect labor costs, indirect materials, utilities, and depreciation. Costs of metals (including fabrication and transportation-in costs) in the operating components at September 30 are as follows:

	1998	1997
Gold	\$33,248	\$52,220
Silver	9,088	14,910
Clad (non-precious)	69,604	89,098
Platinum	5,826	4,871
	\$117,766	\$161,099

With the exception of Susan B. Anthony dollars (SBAs), finished domestic coins (included in the operating components of the circulating coinage program) are valued at cost. The number of SBAs included in the operating components in FY 1998 and FY 1997 is 33,207,967 and 77,853,490, respectively. When SBAs were originally produced, an amount equal to face value less associated costs was transferred to the General Fund. P.L. 104-52 provides for the sale of circulating coinage at face value to the Federal Reserve System. To accommodate this change, without duplicating the net of face value amounts previously transferred to the General Fund, those SBAs remaining in inventory are included at face value.

Note 6 Advances and Prepayments

The components of advances and prepayments at September 30 are summarized below:

	1998	1997
Federal:		
Prepaid postage services	\$ 0	\$ 299
Advances to others	2,380	1,343
	\$2,380	\$1,642
Non-Federal:		
Other prepayments	687	343
Advances to others	186	86
	\$ 873	\$ 429
	\$3,253	\$2,071

Advances to others-Federal is the amount the Mint pays into the Treasury Working Capital Fund. Advances to others-non-Federal consists primarily of advances to employees such as travel.

Note 7 Property, Plant and Equipment

Components of property, plant and equipment at September 30 are as follows:

	1998	1997
Land	\$ 2,529	\$ 2,527
Structure, facilities, & leasehold improvements	88,025	77,940
New computer system	37,000	6,463
ADP software	602	563
Machinery & equipment	131,015	104,806
Assets under capital lease	692	692
	\$259,863	\$192,991
Less accumulated depreciation & amortization	(105,255)	(96,763)
	\$154,608	\$ 96,288

Mint facilities used to manufacture circulating coinage and numismatic products are owned by the Mint and located in San Francisco, Calif., Philadelphia, Pa., Denver, Colo., and West Point, N.Y. In addition, the Mint owns the land and buildings at the Fort Knox Bullion Depository in Kentucky.

Depreciation and amortization expense charged to operations for FY 1998 and FY 1997 were \$9.536 million and \$8.923 million, respectively. The majority of items under capital lease are various pieces of electronic data processing equipment, i.e., the mainframe computer, peripheral hardware and other items.

Note 8 Other Assets

Other assets consist primarily of \$44.155 million and \$50.551 million due from the Defense Logistics Agency (DLA) at September 30, 1998 and 1997, respectively for silver that DLA owes to the Treasury.

In addition, the Mint enters into contracts for purchases of platinum with a negotiated delayed delivery. These contracts remain open until the Mint accepts delivery of the material and closes out the contracts. The amount of platinum material owed to the Mint through these contracts was \$13.463 million at September 30, 1997. There were no delayed delivery contracts classified as Other Assets as of September 30, 1998.

Also included in other assets are progress payments (prepayments) for equipment and building improvements under construction. The Mint has initiated a Mint-wide security upgrade, which requires progress payments be made to the construction contractors. In FY 1998 and FY 1997, such payments totaled \$7.008 million and \$9.833 million, respectively.

Note 9 Accounts Payable – Federal

Although Treasury gold and silver are recorded in the accounts of the Bullion Fund (Note 1), the operating portion of gold and silver, also referred to as work-in-process and finished goods, is reflected in the Mint's financial statements. Reimbursements for the cost of precious metal used in numismatic operations are made to the Bullion Fund when the resulting products are shipped to customers. Accordingly, an offsetting Accounts Payable-Federal exists at the end of the fiscal year that includes work-in-process gold and silver metal costs that will subsequently be reimbursed to the Bullion Fund when the resulting products are sold and shipped.

The following is a summary of Accounts Payable-Federal at September 30, 1998 and 1997:

	1998	1997
Current:		
Metal used as working stock inventory	\$40,728	\$63,514
Funds to be transferred to others	3,948	4,494
	\$44,676	\$68,008
Non-Current:		
Metal at DLA for future working stock	\$44,155	\$50,551
	\$44,155	\$50,551

The funds to be transferred to others resulted from the sale of metal used in Mint products and other amounts owed to Federal entities, primarily the Treasury and DLA.

Note 10 Custodial Gold and Silver Reserves

The Mint is responsible for safeguarding much of the nation's precious metals and strategic stockpiles and is the custodian of a significant portion of the United States' gold and silver reserves. These resources are reported in the custodial segment of the Statement of Financial Position at the lower of cost or market value. Absent historical cost records to determine the acquisition cost of the gold and silver over the decades, statutory rates of \$42.2222 per FTO of gold and \$1.292929292 per FTO of silver are used to value the entire custodial reserves held by the Mint. An offsetting custodial liability is also reported for these assets. For purposes of comparison, the market value of these assets is disclosed in this note.

Amounts and values of custodial gold and silver in the custody of the Mint at September 30 are as follows:

	1998	1997
Gold:		
Inventories (FTO)*	247,477,783	247,464,103
Market Value (\$ per FTO)	\$293.85	\$332.10
Market Value (\$ in thousands)	\$72,721,347	\$82,182,829
Statutory Value (\$ in thousands)	\$10,449,056	\$10,448,479
Silver:		
Inventories (FTO)*	18,725,238	15,548,017
Market Value (\$ per FTO)	\$5.39	\$5.17
Market Value (\$ in thousands)	\$100,929	\$80,383
Statutory Value (\$ in thousands)	\$24,211	\$20,102
Total <i>Market</i> Value of Custodial Gold and Silver Reserves (\$ in thousands)	\$72,822,276	\$82,263,212
Total <i>Statutory</i> Value of Custodial Gold and Silver Reserves (\$ in thousands)	\$10,473,267	\$10,468,581

* Custodial gold and silver FTOs are transferred to the PEF for numismatic operations. The PEF replenishes the custodial reserves with purchases of newly mined gold. In addition, the Defense Logistics Agency transferred silver to the custodial reserves.

Note 11 Costs of Goods Sold

Following are components of cost of goods sold FY 1998 and FY 1997:

	1998	1997
Finished goods, beginning inventory	\$19,602	\$ 6,573
Cost of goods manufactured:		
Work-in-process, beginning inventory	2,305	7,203
Metals, fabrication, and transportation-in	789,840	464,010
Direct Labor	20,700	16,549
Manufacturing overhead	81,524	92,973
Work-in-process, ending inventory	(6,202)	(2,305)
Total cost of goods manufactured	\$888,167	\$578,430
Cost of goods available for sale	\$907,769	\$585,003
Finished goods, ending inventory	(12,303)	(19,602)
Cost of goods sold	\$895,466	\$565,401

Note 12 Selling, General and Administrative Expenses

Following are components of selling, general and administrative expenses for FY 1998 and FY 1997:

	1998	1997
Selling Expenses:		
Marketing (including Customer Service Center rent)	\$18,294	\$17,602
Advertising (including postage to mail brochures)	7,890	11,148
	\$26,184	\$28,750
Other salaries and benefits	\$18,400	\$20,195
Computer services	7,209	5,447
Transportation, communication, & training	5,108	2,432
Supplies	2,172	2,748
Depreciation	872	748
Rent	3,126	3,682
Other administrative services	4,106	4,665
Transportation to Federal Reserve Banks (FRB)	3,276	2,635
	\$44,269	\$42,552
	\$70,453	\$71,302

Note 13 Other Costs and Expenses

These consist primarily of returns of mutilated or uncurrent coins to the Mint. The Mint reimburses the entity that sent in the coins for the face value of these coins if the coins are individually identifiable. If the coins have melted (as in a fire), the Mint reimburses the entity an amount based on the metal content of the melted mass.

Note 14 Surcharges Collected

Following are components of surcharges collected by product and beneficiary organization for FY 1998 and FY 1997. The surcharge recipients of programs subject to the provisions of P.L. 104-208 must meet certain requirements before the Mint can make surcharge payments. These requirements include raising matching funds and providing audited financial statements.

Commemorative Program	Beneficiary Organization	1998	1997	Sales Period
<i>Programs Prior to 1997</i>				
Yosemite Medal	National Park Foundation	—	—	1992/97
1996 Olympic Games	Atlanta Committee for Olympic Games	148	1,666	1995/96/97
Smithsonian	Smithsonian Institution	—	300	1996/97
National Community Service	National Community Service Trust	—	81	1996/97
<i>Programs Subject to P.L. 104-208</i>				
U. S. Botanic Gardens	Natl. Fund for the U. S. Botanic Gardens	110	2,371	1997
Jackie Robinson	Jackie Robinson Foundation	398	2,030	1997/98
Franklin Delano Roosevelt	FDR Memorial Commission	75	1,373	1997/98
Natl. Law Enforcement Officers Memorial	Natl. Law Enforcement Memorial Maintenance Fund	1,310	18	1997/98
Black Patriots	Black Revolutionary War Patriots Memorial	1,041	—	1998/99
Robert F. Kennedy	RFK Memorial	1,909	—	1998
		\$4,991	\$7,839	

Note 15 Lease Commitments

The Mint leases space in three buildings in Washington, D.C. and three in San Francisco. One of the Washington buildings and the warehouse space in San Francisco are leased from the General Services Administration (GSA), which charges a fee that approximates the commercial rental rates for similar properties. The remaining buildings are leased from private sources.

At September 30, 1998, rental amounts committed in future years are summarized as follows:

1999	\$1,934
2000	1,375
2001	451
2002	425
	\$4,185

Total rental expense was \$3.524 million and \$3.682 million in FY 1998 and 1997, respectively.

In December 1997, the Mint entered into a long-term lease commitment (20 years) for commercial office space to be located at 801 Ninth Street, NW, Washington, D.C. The present value of the rental payments through the year 2021 is \$81.7 million, using a discount rate of 6.2%. These payments will begin in FY 2000.

Note 16 Contingencies

The Mint is subject to legal proceedings and claims which arise in the ordinary course of its business. Judgments, if any, resulting from pending litigation against the Mint generally would be satisfied from the Department of Treasury Judgment Fund. In the opinion of management, the ultimate resolution of these actions will not materially affect the Mint's financial position or the results of its operations.

Note 17 Retirement Plans and Other Postemployment Costs (Imputed Financing)

At the end of FY 1998, approximately 33 percent of the Mint's employees participate in the Civil Service Retirement System (CSRS), to which the Mint contributes seven percent of pay. On January 1, 1987, the Federal Employees' Retirement System (FERS) went into effect pursuant to P.L. 99-335. Most employees hired after December 31, 1983 are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984 could elect to join FERS or remain in CSRS.

A primary feature of FERS is that it offers a savings plan to which the Mint automatically contributes 1 percent of pay and matches any employee contributions up to an additional 4 percent of pay. FERS employees are allowed a maximum annual contribution of 10 percent of salary. Employees participating in FERS are covered by the Federal Insurance Contribution Act (FICA) for which the Mint contributes a matching amount to the Social Security Administration.

Although the Mint contributes a portion for pension benefits and makes the necessary payroll deductions, it is not responsible for administering either CSRS or FERS. Therefore, the Mint does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to Mint employees. Responsibility for reporting such amounts is the responsibility of the Office of Personnel Management (OPM). The Mint is recognizing its share of the cost of providing a pension benefit to eligible employees with an offset classified as imputed financing. OPM has provided the Mint with certain cost factors that estimate the true cost of providing the pension benefit to current employees. The cost factors of 24.2 percent of basic pay for CSRS-covered employees and 11.5 percent of basic pay for FERS-covered employees were in use for both FY 1998 and FY 1997.

The following table shows the amounts that the PEF contributed to the retirement plans and Social Security in FY 1998 and FY 1997, respectively.

	1998	1997
Civil Service Retirement System	\$ 2,613	\$ 2,351
Federal Employees Retirement System (Retirement & Thrift Savings Plan)	7,138	6,811
Social Security System	4,639	4,278
	\$14,390	\$13,440

The Mint is also recognizing its share of the future cost of post-retirement health benefits and life insurance for employees while they are still working with an offset classified as imputed financing. OPM continues to report the overall liability of the federal government and make direct recipient payments. OPM also has provided certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The cost factor relating to health benefits is \$2,529 and \$2,493 per employee enrolled in the Federal Employees Health Benefits

Program in FY 1998 and 1997, respectively. The cost factor relating to life insurance is two-one hundredths percent (.02%) of basic pay for employees enrolled in the Federal Employees Group Life Insurance Program for FY 1998 and 1997.

The amount of employees' benefit expense incurred by the Mint for FY 1998 and 1997 is as follows (before the offset for imputed financing):

	1998	1997
Pension Expense	\$2,576	\$3,034
Health Benefits	4,272	4,296
Life Insurance	14	14
	\$6,862	\$7,344

Note 18 Related Parties

The Mint is subject to management control by the Secretary of the Treasury.

The PEF does not reimburse the Bullion Fund for gold and silver used for numismatic production until finished goods are shipped to customers. Hence, the cost of capital associated with carrying these inventories is borne by the Treasury. As an offsetting matter, the Mint does not receive interest on its cash account at Treasury.

The Mint is required by legislation to obtain silver to be used in minting of commemoratives from the DLA stockpiles. The Mint reimburses the DLA at the market price for silver, less the statutory rate of \$1.292929292 per FTO. The \$1.292929292 per FTO is paid by the Mint to the Treasury.

During FY 1998 and FY 1997, payments were made to the following government entities:

	1998	1997
Government Printing Office	\$ 200	\$ 400
U.S. Postal Service	4,200	9,200
General Services Administration	3,700	3,300
	\$8,100	\$12,900

The Mint shipped approximately \$923 million in coins to the Federal Reserve Board in FY 1998. This amount represents a 35% increase over FY 1997 shipments that approximated \$683 million.

Numismatic orders, checks, and credit card orders are processed by a commercial bank. Fees associated with these services are absorbed by the Treasury and are not reflected in the Mint's financial statements.

**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS**

UNITED STATES DEPARTMENT OF THE TREASURY
Office of Inspector General

We have audited the accompanying statements of financial position of the United States Mint (Mint), a bureau of the Department of the Treasury, as of September 30, 1998 and 1997, and the related statements of operations and changes in net position, and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Mint's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the United States' gold and silver reserves (Custodial Gold and Silver Reserves) for which the Mint serves as custodian. These reserves were audited by the United States Department of the Treasury, Office of the Inspector General (OIG) whose report has been furnished to us, and our opinion, insofar as it relates to these reserves, is based solely on the report of the OIG.

We conducted our audits in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the OIG provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the OIG, the financial statements referred to above, presented fairly, in all material respects, the financial position of the Mint as of September 30, 1998 and 1997, the results of its operations, the changes in its net position, and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental statement of net cost is presented for purposes of additional analysis and is not a required part of these financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The information in the "Management Discussion and Analysis" (MD&A) is not a required part of the financial statements referred to above. This information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued reports dated January 8, 1999 on our consideration of the Mint's internal control over financial reporting, and on our tests of its compliance with certain provisions of applicable laws and regulations.

Urbach Kahn & Werlin PC

Washington, DC
January 8, 1999

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

UNITED STATES DEPARTMENT OF THE TREASURY
Office of Inspector General

We have audited the financial statements of the United States Mint (Mint), a bureau of the Department of the Treasury, as of and for the year ended September 30, 1998, and have issued our report thereon dated January 8, 1999. The United States' gold and silver reserves, for which the Mint serves as custodian, were audited by the OIG. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered the Mint's internal control over financial reporting by obtaining an understanding of the Mint's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Consequently, we do not provide an opinion on internal controls.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Mint's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted a matter involving the internal control and its operation that we consider to be a reportable condition and a material weakness.

Systems integration project needs to be aggressively pursued: For the fiscal year ended September 30, 1998, the primary financial management system supporting Mint reporting continued to be comprised of diverse mainframe, manual and PC-based systems. These systems were not integrated and did not provide management with useful, timely information. Overall, the system did not generate consolidated financial information and management relied upon extensive manual cost accumulation and reconciliation procedures for reporting financial information.

As a result, management was precluded from effectively measuring operating goals and monitoring progress in achieving them.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

The Mint is aware of these deficiencies in the existing financial management systems and has continued with implementation of a replacement for them during fiscal year 1998. The new Consolidated Information System (COINS) was brought on line during October and November 1998, however, it is not yet being used for routine financial reporting. The old systems have been "frozen" (except for year-end audit adjustments), and there is no plan to perform any substantive parallel testing between the old financial systems and COINS.

In connection with the conversion, the Mint discontinued remediation efforts on the old systems. As part of the Mint's Year 2000 (Y2K) compliance effort, all coding and testing of those systems was stopped. Management is now relying on the availability of the core financial reporting capabilities of COINS, which is believed to be Y2K-compliant, as its primary Y2K contingency plan. As a result, the Mint is no longer relying upon any system that has been proven to support reliable financial reporting that addresses prior-year concerns, and Y2K-compliant operations in a full-scale production environment.

While we believe that the Mint has established a strong program to ensure adequate testing and reliable startup of COINS-based financial reporting during fiscal year 1999, we recommend management pursue the timely completion of acceptance testing of COINS, and ensure a well-structured and defined effort to establish the reliability of starting balances, reconciling items, and routine accounting and reporting procedures early in this critical year.

In addition, with respect to internal controls related to performance measures reported in the "Management Discussion and Analysis", we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin 98-08, as amended. Our procedures were not designed to provide assurance on internal control over reported performance measures, and accordingly, we do not provide an opinion on such controls.

We also noted other matters involving the internal control over financial reporting which have been reported to the management of the Mint in a separate letter dated January 8, 1999.

This report is intended solely for the information and use of the OIG of the Department of the Treasury, the management of the Mint, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Urback Kahn & Worlin PC

Washington, DC
January 8, 1999

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

UNITED STATES DEPARTMENT OF THE TREASURY
Office of Inspector General

We have audited the financial statements of the United States Mint (Mint), a bureau of the Department of the Treasury, as of and for the year ended September 30, 1998, and have issued our report thereon dated January 8, 1999. The United States' gold and silver reserves, for which the Mint serves as custodian, were audited by the OIG. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

The management of the Mint is responsible for complying with laws and regulations applicable to the agency. As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of the Mint's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 98-08, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996.

The results of our tests of compliance disclosed no instances of noncompliance with the laws and regulations described in the preceding paragraph, exclusive of FFMIA, that are required to be reported under *Government Auditing Standards* or OMB Bulletin 98-08, as amended.

Under FFMIA, we are required to report whether the Mint's financial management systems substantially comply with the Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance for FFMIA included in Appendix D of OMB Bulletin 98-08, as amended.

The results of our tests disclosed an instance, described below, where the Mint's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph:

The Mint's core financial management systems do not comply with certain system requirements.

The Mint's current financial management systems do not meet Federal financial management system requirements, including OMB Circular A-127, *Financial Management Systems*; OMB Circular A-130 *Management of Federal Information Resources*; OMB Circular A-123, *Management Accountability and Control*; Federal Management Systems requirements issued by the Joint Financial Management Improvement Program (JFMIP); and the United States Standard General Ledger at the transaction level. In its 1998 Federal Managers' Financial Integrity Act report, the Mint reported this weakness. OMB Circular A-127 states, in part, "Financial Management Systems shall be designed to provide for effective and efficient

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS, CONTINUED

interrelationships between software, hardware, personnel, procedures, controls and data contained within the systems." Our recommendation for improvement is contained in our report on internal control dated January 8, 1999. The Deputy Director of the Mint is responsible for financial management systems within the Mint.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information of the OIG of the Department of the Treasury, the management of the Mint, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Urback Kohn & Wurlin PC

Washington, DC
January 8, 1999

**DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE STATEMENTS OF CUSTODIAL GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 1998 and 1997**

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The United States Mint (U.S. Mint), established in 1792, is an integral part of the Department of the Treasury. The mission of the U.S. Mint is to manufacture coins for general circulation. In addition to manufacturing circulating coins, the U.S. Mint manufactures numismatic products, which include medals, proof coins, uncirculated coins, gold and silver bullion coins, and commemorative coins. These manufacturing operations are reported in the manufacturing segment of the U.S. Mint's consolidated financial statements. The U.S. Mint is also the custodian of a significant portion of the United States' gold and silver reserves, which are presented in the custodial segment of the U.S. Mint's Statements of Financial Position.

The U.S. Mint's custodial activities, including the protection of the United States' gold and silver reserves in its custody, are funded by the U.S. Mint's Public Enterprise Fund (PEF).

B. Basis of Presentation

These custodial statements have been prepared to report the gold and silver reserves custodial position of the U.S. Mint. The books and records of the U.S. Mint have served as the source of the information contained herein. The statements have been prepared in accordance with generally accepted accounting principles and U.S. Mint accounting policies.

These custodial statements include all gold and silver classified by the U.S. Mint as "custodial reserves" as defined in Note 2. These statements do not include gold and silver withdrawn from the "custodial reserves" for use in the operations of the U.S. Mint's PEF. The U.S. Mint's PEF occasionally uses gold and silver from the custodial reserves to support its numismatic operations. The PEF later replenishes the reserves with newly mined gold. These statements do not reflect any of the United States' gold and silver being used by the U.S. Mint in its operating inventory or any reserve amounts due to be replenished by the PEF, nor do they include gold at Federal Reserve Banks.

Note 2. Custodial Gold and Silver Reserves

Gold and silver are classified as reserves if in bar form. The custodial reserves also include foreign gold coins held by the Treasury for many years.

The gold and silver reserves are reported in these custodial statements at the lower of cost or market value. Absent historical cost records to determine the acquisition cost of the gold and silver over the decades, the reserves are valued at the rates stated in the U.S. Code Title 31, Sections 5116 and 5117 (statutory rates) which are \$42.2222 per Fine Troy Ounce (FTO) of gold and \$1.292929292 per FTO of silver. An offsetting custodial liability is also reported for these assets.

**DEPARTMENT OF THE TREASURY
UNITED STATES MINT
STATEMENTS OF CUSTODIAL GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 1998 and 1997
(IN THOUSANDS)**

	1998	1997
CUSTODIAL GOLD AND SILVER RESERVES		
United States' gold and silver reserves (Note 2)	\$10,473,267	\$10,468,581
Custodial liability to Treasury (Note 2)	10,473,267	10,468,581
Net gold and silver reserves custodial position	\$ 0	\$ 0

The accompanying notes are an integral part of these statements.

**DEPARTMENT OF THE TREASURY
UNITED STATES MINT
NOTES TO THE STATEMENTS OF CUSTODIAL GOLD AND SILVER RESERVES
AS OF SEPTEMBER 30, 1998 and 1997**

At September 30, 1998 and 1997, the market value of gold was \$293.85 per FTO and \$332.10 per FTO, respectively. Gold inventories consisted of the following at September 30:

	<u>FTO</u>	<u>Statutory Value</u>	<u>Market Value</u>
1998	247,477,782.820	\$10,449,056,442	\$72,721,346,482
1997	247,464,103.081	\$10,448,478,853	\$82,182,828,633

At September 30, 1998 and 1997, the market value of silver was \$5.39 per FTO and \$5.17 per FTO, respectively. Silver inventories consisted on the following at September 30:

	<u>FTO</u>	<u>Statutory Value</u>	<u>Market Value</u>
1998	18,725,238.08	\$24,210,409	\$100,929,033
1997	15,548,016.89	\$20,102,486	\$ 80,383,247

The combined gold and silver reserves consisted of the following at September 30:

	<u>Statutory Value</u>	<u>Market Value</u>
1998	\$10,473,266,851	\$72,822,275,515
1997	\$10,468,581,339	\$82,263,211,880

Custodial gold and silver FTOs are transferred to the PEF for numismatic operations. The PEF replenishes the custodial reserves with purchases of newly mined gold. In addition, the Defense Logistics Agency transferred silver to the custodial reserves.

REPORT OF THE OFFICE OF INSPECTOR GENERAL

To the Director of the United States Mint

We have audited the United States Mint's (U.S. Mint) Statements of Custodial Gold and Silver Reserves (custodial statements) as of September 30, 1998 and 1997. This report presents our unqualified opinion on these custodial statements. Our audit disclosed no material weaknesses and no instances of reportable noncompliance with laws and regulations in fiscal year 1998.

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for:

- Preparing the custodial statements in conformity with generally accepted accounting principles.
- Establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the benefits and related costs of internal accounting policies and procedures.
- Complying with laws and regulations applicable to the U.S. Mint's custodial responsibilities for the gold and silver reserves.

SCOPE OF AUDITS

We conducted our audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable Office of Management and Budget (OMB) guidance. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the custodial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the custodial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall custodial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In planning and conducting our audit of the U.S. Mint's custodial statements for the year ended September 30, 1998, we considered its internal control over financial reporting and compliance with laws and regulations. Specifically, we obtained an understanding of the design of the U.S. Mint's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the custodial statements and not to provide assurance on the internal control over financial reporting and compliance with laws and regulations. Consequently, we do not provide an opinion on such controls.

As part of obtaining reasonable assurance about whether the custodial statements are free of material misstatement, we performed tests of the U.S. Mint's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of custodial statement amounts. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

RESULTS OF AUDITS

OPINION ON THE CUSTODIAL STATEMENTS

In our opinion, the custodial statements present fairly, in all material respects, the United States' gold and silver reserves in the custody of the U.S. Mint as of September 30, 1998 and 1997, in conformity with generally accepted accounting principles.

REPORT OF THE OFFICE OF INSPECTOR GENERAL

INTERNAL CONTROL

Internal control is a process, effected by the U.S. Mint's management and other personnel, designed to provide reasonable assurance that the following objectives are met:

- Reliability of financial reporting – transactions are properly recorded, processed, and summarized to permit the preparation of the custodial statements for the fiscal year ended September 30, 1998 in accordance with generally accepted accounting principles, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition; and
- Compliance with applicable laws and regulations – transactions for the fiscal year ended September 30, 1998, are executed in accordance with laws and regulations that could have a direct and material effect on the custodial statements.

Because of limitations inherent in any internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that internal control may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

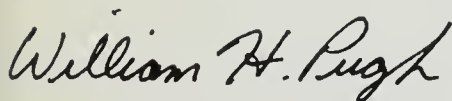
Our consideration of the internal control in place on September 30, 1998 would not necessarily disclose all matters in the internal control that might be material weaknesses as defined by OMB Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended. Material weaknesses in internal control are conditions in which the design or operation of the internal control does not reduce to a relatively low level the risk that errors, fraud, or noncompliance in amounts that would be material in relation to the custodial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses.

We noted other matters involving internal control and its operation that we will communicate to the U.S. Mint's management separately.

COMPLIANCE WITH LAWS AND REGULATIONS

The results of our tests of compliance in fiscal year 1998 with the laws and regulations disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 98-08, as amended.

This report is intended solely for the information and use of the management of the U.S. Mint, the U.S. Department of the Treasury, OMB, and the Congress and is not intended to be and should not be used by anyone other than these specified parties. However, this report is available to the public as a matter of public record.



William H. Pugh
Deputy Assistant Inspector General for Audit (Financial Management)
January 22, 1999

United States Mint

Senior Management

Philip N. Diehl	Director
John P. Mitchell	Deputy Director
Andrew J. Cosgarea	Circulating Coinage SBU
David Pickens	Numismatic SBU
William F. Daddio	Protection SBU
Jay M. Weinstein	Chief Financial Officer
Jackie Fletcher	Chief Information Officer
Kenneth B. Gubin	Chief Legal Counsel
Augustine A. Albino	Philadelphia Mint
Bradford F. Cooper	West Point Mint
James M. Curtis	U.S. Bullion Depository
Raymond J. DeBroekert	Denver Mint
Dale B. DeVries	San Francisco Mint

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PROOF SETS SILVER PROOF SETS UNCIRCULATED SETS AMERICAN EAGLE GOLD
BULLION AMERICAN EAGLE SILVER BULLION AMERICAN EAGLE PLATINUM BULLION
HOLIDAY GIFT ORNAMENTS AMERICAN EAGLE PENDANTS ROBERT F. KENNEDY SILVER
DOLLAR NATIONAL LAW ENFORCEMENT MEMORIAL SILVER DOLLAR INDIAN HEAD COIN
WATCH SILVER EAGLE POCKET KNIFE WALKING LIBERTY WRIST WATCH MERCURY DIME
EARRINGS WALKING LIBERTY PENDANT INDIAN HEAD COIN CUFF LINKS JFK HALF-
DOLLAR MONEY CLIP AMERICAN EAGLE GOLD PROOF AMERICAN EAGLE SILVER PROOF
AMERICAN EAGLE PLATINUM PROOF JACKIE ROBINSON GOLD FIVE DOLLAR COIN JACKIE
ROBINSON SILVER DOLLAR AMERICAN EAGLE FOUR-COIN PROOF SET MORGAN AND
PEACE SILVER DOLLAR SET IMPRESSIONS OF LIBERTY BLACK REVOLUTIONARY WAR
PATRIOTS SILVER DOLLAR FDR GOLD FIVE DOLLAR GOLD COIN COIN AND STAMP SETS
COIN AND CURRENCY SETS LAPEL PINS JEFFERSON NICKEL ROOSEVELT DIME
KENNEDY HALF-DOLLAR LINCOLN CENT WASHINGTON QUARTER GIFT SLEEVES COIN
WATCH PENDANT JACKIE ROBINSON LEGACY SET KENNEDY HALF-DOLLAR PEN SET
PREMIER SILVER PROOF SET HOME AND OFFICE ACCESSORIES NUMISMATIC SPECIALTY
SETS JEWELRY COIN GIFTS FDR PENDANT PLATINUM EAGLE UNCIRCULATED FOUR-
COIN SET MORGAN SILVER DOLLARS TIE TACKS FOUR FREEDOMS PAPERWEIGHT
JACKIE ROBINSON TWO-COIN SET CIRCULATING COINAGE PROOF SETS SILVER PROOF
SETS UNCIRCULATED SETS AMERICAN EAGLE GOLD BULLION AMERICAN EAGLE SILVER
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